Austria	Sch22	Indonesia	Rp3100	Oman	Or 1
Bahrain	Din0.700	Iran	Rls210	Philippines	Pso40
Belgium	BFr60	Israel	IS3.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L2000	Qatar	Qr8.50
Denmark	DKr10.00	Jordan	Fils1000	S.Arabia	Rls7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	£1,400.00	Spain	Pta145
France	FFr7.00	Lux	LFr60	Sweden	SKr10
Germany	DM2.20	Malaysia	Rlo4.25	Switz	SFr2.40
Greece	Dr150	Morocco	Dh8.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800
Iceland	Ikr125	Nigeria	Naira10	Turkey	L1200
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,030 © FINANCIAL TIMES 1989 — Thursday December 21 1989 — D 8523A

JAPAN
Godzilla enters the battle of Osaka
Page 3

World News

Ceausescu rejects blame for Romanian carnage

Romania's President Nicolae Ceausescu blamed "international and terrorist actions" for last Sunday's anti-government demonstrations in the city of Timisoara as estimates of the numbers killed grew to more than 3,000.

In the first official Romanian statement on the unrest, Ceausescu said the events in Timisoara were meant to "provoke disorder and destroy the institutions [in the country]." Page 14

Lithuanians defiant

The Communist Party of Lithuania voted by a margin of 5-1 to break away from the Communist Party of the Soviet Union in open defiance of Mikhail Gorbachev and of its own Russian-speaking minority. Page 14

Bush lifts sanctions

US President George Bush eased some of the main economic sanctions against China imposed last June after the massacre of protesters in Tiananmen Square.

Tory revolt over HK

Right-wing British Conservative MPs and the Labour Party served notice that they would join forces to try and wreck the Government's plan to provide full British passports for up to 225,000 citizens of Hong Kong. Page 14

$10m fine for Hunt

Nelson Bunker Hunt agreed in Washington to a settlement with the Commodity Futures Trading Commission under which he will pay a civil fine of $10m for allegedly attempting to manipulate the silver market. The settlement prohibits Hunt from trading on any commodity exchange.

Hungary's PM quits

Hungarian Prime Minister Miklos Nemeth resigned unexpectedly from the Praesidium of the Hungarian Socialist (formerly Communist) Party after failing to gain full support for his tough budget. Page 2

Czechs democratise

The Communist Party of Czechoslovakia began the democratisation process by blaming old leadership figures for "distortions of socialism" and pledging fidelity to pluralism. Page 14

Suez canal reopens

Shipping resumed in the Suez Canal after tugs refloated a grounded oil tanker which had blocked the waterway for more than 19 hours.

Polish IMF accord

Poland reached agreement with the International Monetary Fund on a crucial loan package but both sides could demand changes before it is signed.

N Ireland release

Northern Ireland will free 350 prisoners to spend a week at Christmas with their families, the most ever let out on temporary release.

Commission rebuke

The European Commission ruled against four cases of state aid, proving its determination to take tough action on all help that does not conform with its rules. Page 2

Spies change sides

Bonn will release four people jailed as communist spies in exchange for 24 Western agents held in East Germany in one of the biggest East-West spy swaps since the war.

I'll spell that again

Christmas cards handwritten by the wife of US Vice President Dan Quayle misspelled the word "beacon". One of Mrs Quayle's causes is "to help end illiteracy."

Business Summary

McDonnell Douglas wins $3bn S Korea contract

McDONNELL Douglas, US aerospace and defence group, has been awarded a $3bn contract to supply 120 F/A-18 Hornet fighter aircraft to South Korea.

The contract, which involves assembly and co-production of 108 fighters and the purchase of 12 off the shelf, is expected to provide a big technological boost to the Seoul's aerospace industry. Page 14

GILLETTE is to buy all Wilkinson Sword's operations outside the EC for $70m, in a $630m sale of parts of Stora's consumer products business. Page 15

BOUYGUES, Europe's largest construction company paid over FFr900m ($151.8m) for a 3.5 per cent stake in Banco Central, Spain's largest industrial bank. Page 16

AMERICAN Airlines, largest US carrier, acquired for $195m Trans World Airlines' Chicago-to-London route authority. Page 3

KOHLBERG Kravis Roberts, leading US leveraged buyout firm, publicly threatened to put one of its businesses into bankruptcy. Page 16

IVECO, Fiat's commercial vehicle subsidiary, is joining forces with Nissan Diesel, one of the leading Japanese truck makers, to develop a new range of medium-sized diesel engines. Page 16

FEDERAL Express, delivery company, saw a further slide in profits, reflecting the costs of assimilating Tiger International, the cargo airline it acquired this year. Page 18

NIXDORF, troubled West German electronics company, admitted it was seeking a partner. Page 16

FERRANTI: the board of Ferranti International came under attack from the Ferranti family when the directors were criticised over the way they are handling the crisis in UK defence electronics group. Page 15

MITI, Japan's Ministry of International Trade and Industry, denied guiding Japanese companies to spread their investments around EC countries rather than concentrating them in the UK. Page 3

HUGO Boss, West German men's fashion group, sold a majority of its ordinary equity to Leyton House, little-known Japanese concern. Page 15

US economy: The US economy grew at a revised 3.0 per cent annual rate in the third quarter, stronger than previously estimated. Page 5

ERICSSON, leading Swedish telecommunications group, and Nobel Industries, said they intended to work together in the manufacture of command and control systems in a joint company, Bofors Electronics AB. Page 16

SMITHKLINE Beecham, Anglo-American pharmaceuticals and consumer products company, announced the sale of its worldwide Uhu Adhesives business for DM269m ($157m). Page 15

IVORY Coast reached a comprehensive debt rescheduling agreement with its official Paris Club creditors to reschedule an estimated $1bn of repayments over 14 years. Page 5

MANAGEMENT buy-outs: the Takeover Panel, the City of London bids and deals regulator, acted to give shareholders greater protection when members of management bid for a quoted company. Page 15

URAGUAY Round on liberalisation of world trade suffered a setback when negotiators failed to resolve a confrontation between the EC and the US over how to carry out tariff reductions. Page 3

International community condemns US ● Election winners installed

Bush claims success in Panama

By Peter Riddell, US Editor, in Washington

PRESIDENT GEORGE BUSH yesterday claimed success for the large-scale US military intervention in Panama to oust General Manuel Noriega and instal democratically-elected leaders.

But the US forces failed to capture Gen Noriega, who is wanted on drug-trafficking charges in the US, and his whereabouts were last night still unknown. The US intervention brought widespread condemnation and only Mrs Margaret Thatcher, the British Prime Minister, fully endorsed the action.

In Washington, General Colin Powell, chairman of the US joint chiefs of staff, claimed that the Noriega regime had been "decapitated" and promised that "Mr Noriega the fugitive" would be chased and found.

President Bush's decision to order direct military intervention by sending 9,500 troops from the US, in addition to the 13,000 already stationed there to protect the canal, is the riskiest political move of his 11 month presidency. There were 11 US soldiers confirmed dead and 59 injured by early afternoon yesterday. Nevertheless, within Panama there were signs that the action had general public backing. The number of Panamanian casualties was not known.

The action was yesterday generally supported in the US by both political parties and by instant tests of public opinion. But it received a mixed reception internationally. Mrs Thatcher offered the strongest support for "a courageous decision," while in more qualified terms both Canada and the Netherlands expressed sympathy.

But Spain, with its close ties to Latin America, "deeply lamented" the action, and the Soviet Union was highly critical. Latin American leaders, including normal US allies such as Costa Rica, deplored the intervention. The issue was being taken up in the Organisation of American States and the United Nations Security Council.

In a breakfast-time television address, President Bush said the action had been made necessary by the threat to the lives of the 35,000 Americans living in Panama following a declaration of war against the US by General Noriega last Friday and the murder of a US officer and attacks on others over the weekend. He said "every other avenue was closed."

Mr James Baker, US Secretary of State, said the decision to use military force was taken on Sunday and subsequently the US received an intelligence report that General Noriega was planning "an urban commando attack on American citizens in a residential neighbourhood (in Panama)."

He said there was more risk to American citizens from inaction than from action.

The US also claimed its action was legally justified under domestic and international law. Mr Baker said the US had an inherent right to take action under Article 51 of the United Nations charter and Article 21 of the Organisation for American States. Both articles permit a nation to take measures necessary to defend its military personnel and nationals.

Mr Bush stressed that one aim was to put into power President Guillermo Endara and Vice Presidents Calderon and Ford, whose election last May was blocked by the Noriega regime. They were sworn into office on a US base in Panama shortly before the military action.

President Bush: riskiest move in 11 months of office.

The US immediately lifted sanctions against Panama and took steps to unblock Panamanian Government assets held in the US. The US Ambassador was immediately being sent back to Panama.

President Bush also stressed the full US commitment to implementing the Panama Canal Treaties to hand over the canal to Panama in the year 2,000. To underline this, he promised to submit to the US Senate for rapid consideration a nominee of the new Panamanian Government to be administrator of the canal. The canal was closed yesterday, although it will be reopened this morning.

The exact position in Panama last night was unclear. The US said its forces were in control of most key strategic points, having isolated and neutralised most of the Panamanian Defence Forces loyal to General Noriega.

But the Pentagon said that sporadic fighting continued in Panama City and elsewhere and there were reports from Panama of looting and shooting in the city.

A number of hostages, including American residents and journalists, appeared to have been taken by forces loyal to General Noriega, the Pentagon confirmed.

The hostages included producers for the American CBS and ABC networks.

They were seized from the Marriott Hotel in Panama City and led to demands from the networks for more protection for Americans and hournalists from what one correspondent described as "gun-carrying Noriega loyalists

Mr John Bushnell, the senior US diplomat at present in Panama, said there would be fear among Panamanians until General Noriega was captured or otherwise removed from the scene. He disclosed that the new Panamanian President and the two Vice Presidents were told of the US plan late on Monday evening and approved of it in a letter to Mr Bush.

In Moscow, the official Soviet news agency Tass accused the US of resorting to gunboat diplomacy in Panama as part of an attempt to turn Latin America and the Caribbean into its backyard.

The Tass commentary followed a Foreign Ministry statement which denounced the US armed intervention as a violation of the UN Charter and called on Washington to withdraw its forces immediately.

The reaction from Moscow was its harshest criticism of any US action for many months

Initiative tempered by long-term doubts, Noriega: a hard man to nail, Page 4; Why Bush is acting tough, Editorial comment, Page 12; Lex, Page 14

Troops sweep capital in search of Noriega

By Peter Riddell in Washington

GENERAL Manuel Noriega last night continued to elude the thousands of US troops which stormed Panama early on Wednesday. Residents of the capital said groups of the General's supporters were setting up roadblocks and stopping cars in the city's financial district.

The US intends to take Gen Noriega back to face two indictments brought by US grand juries in February 1988 on drug-related charges.

He faces charges in Florida courts of attempts to import more than 1m tonnes of marijuana into the the US in 1983-84 and of laundering money from successfully imported drugs through Panamanian banks and businesses.

Gen Colin Powell, chairman of the US Joint Chiefs of Staff, claimed early yesterday morning that the military operation, Operation Just Cause, to oust the General was a success.

Gen Powell said the intervention had "decapitated Mr Noriega from the dictatorship of his country. He's now a fugitive and will be treated as such."

Referring to him as "Mr Noriega the fugitive," Gen Powell said the General was "not running anything. We own all the bases. We have cut off the head of that government."

Gen Powell gave a preliminary estimate of nine American troops killed and 39 wounded, while adding that operations were continuing.

The existing 13,000 US troops stationed in Panama were reinforced overnight by 7,000 troops, mainly from the 82nd Airborne Division and from Ranger battalions, with roughly another 2,500 on their way from bases in the US.

Noriega (left) and Endara, Panama's new President

Mr Dick Cheney, the Defence Secretary, pushed to one side the failure to capture Gen Noriega.

Mr Cheney said, "We hope to wrap up Gen Noriega in the near future. But we are very confident that we achieved the bulk of our objectives in terms of supporting the restoration of a democratic government."

Operations began just before 1 am Washington time and spread throughout the country. The US forces were deployed around that time in the central Panama Canal zone, to the east of that area near the international airport, and to the west by Rio Hato.

The objectives were to isolate and neutralise groups of the Panamanian Defence Force loyal to Gen Noriega and to secure major features such as a dam, power station, roads and the airport. Gen Powell said that several prisoners were taken in these operations.

In Panama City – the "Task Force Bayonet" area – the main mission was to seize the Commandancia, Gen Noriega's headquarters, which, Gen Powell said, "had been reduced."

The international airport was seized by a Ranger battalion to prepare for a larger landing 55 minutes later by a brigade of the 82nd Airborne from 10 C141 aircraft. A further 10 aircraft dropped the rest of the division at 5.15 am Washington time.

Their aims were to help neutralise nearby Panamanian forces and "to assist stability operations" in Panama City.

The operations, which also involved the US Air Force and Navy, involved immobilising the small Panamanian navy and air force.

Community accord expected on rules for cross-border mergers

By Lucy Kellaway in Brussels

REGULATIONS for vetting big cross-border mergers are likely to be agreed by European industry ministers today, after 16 years of negotiations.

The rules, which will come into force towards the end of next year, will give the European Commission sole power to investigate mergers with a combined world turnover of more than Ecu5bn ($5.86bn). Smaller mergers will continue to be vetted by national authorities, unless the countries concerned invite the Commission to investigate.

The regulation will put an end to the uncertain system under which the Commission has broadly-defined powers to intervene at will over all European mergers, usually after the merger has taken place.

The final obstacle to an agreement was a West German request that national competition authorities should be allowed to re-examine mergers passed by the Commission, when a domestic market would be adversely affected.

Other member states, in particular the UK, had argued that this violated the basic principle of one-stop merger control.

A compromise seems to have been worked out which would allow national authorities to review large mergers when there was a danger of monopolies being created in "distinct" markets.

This mechanism will be reviewed in four years, although it has yet to be sorted out whether any changes would need the unanimous approval of member states.

Even though other small technical problems must be sorted out – including arrangements for suspension of share listings – member states will enter today's meeting in a spirit of compromise. There is strong political pressure for agreement, following an instruction from the Strasbourg summit to reach an accord on mergers by the end of the year.

The UK estimates that some 10 to 15 large mergers would be investigated by the Commission each year.

● Tim Dickson adds from Brussels: All cars in the European Community will have to conform with tough new exhaust standards by the end of 1992 if new Commission proposals are adopted.

The new norms for large and medium-sized cars are the same as those already agreed for smaller vehicles of less than 1.4 litres and which EC environment ministers said in June should be extended to the two larger categories.

But in a move which is likely to cause manufacturers grave concern, Brussels is also proposing a new test procedure which it believes better reflects typical European driving conditions. As well as the urban test which simulates congested cities, there will be a new "extra-urban" cycle involving motorway driving at up to 120kmh.

EC and US in tariffs deadlock, Progress expected on single market issues, Page 2

MARKETS

STERLING
New York close: \$1.6065 (1.6005)
London: \$1.603 (1.6005)
DM2.79 (2.78)
FFr9.5225 (9.50)
SFr2.505 (2.4975)
Y230.75 (230.25)
£ index 86.9 (86.6)

GOLD
New York: Comex Feb \$417.5 (416.1)
London: \$413.75 (414.25)

N SEA OIL (Argus)
Brent 15-day Feb \$19.55 (19.525)

Chief price changes yesterday: Page 15

DOLLAR
New York close
DM1.7295 (1.7365)
FFr5.9075 (5.9255)
SFr1.555 (1.557)
Y143.90 (143.695)
London:
DM1.74 (1.7375)
FFr5.94 (5.935)
SFr1.562 (1.561)
Y144 (143.85)
\$ index 68.2 (67.9)

US LUNCHTIME RATES
Fed Funds $8\frac{5}{16}$%
3-mo Treasury Bills: yield: 7.804%
Long Bond: $103\frac{13}{32}$ yield: 7.821%

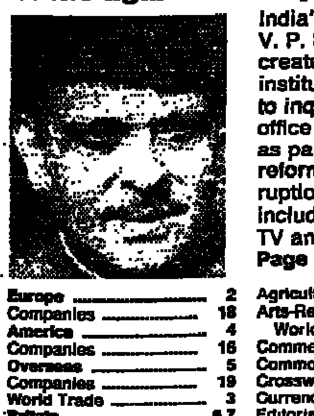
STOCK INDICES
FT-SE 100: 2,360.7 (+18.6)
FT Ordinary: 1,866 (+13.5)
FT-A All-Share: 1,176.10 (+0.6%)
New York close
DJ Ind. Av. 2,687.93 (−7.68)
S&P Comp 342.51 (+0.05)
Tokyo: Nikkei 38,512 (+72.9)

LONDON MONEY
3-month interbank: closing $15\frac{3}{32}$% (same)
Liffe long gilt future: Mar $93\frac{1}{4}$ ($92\frac{3}{4}$)

MARKET REPORTS: CURRENCIES, Page 34; BONDS, Pages 18, 19; COMMODITIES, Page 26; EQUITIES, Pages 27 (London), 35 (World)

CONTENTS

India to appoint ombudsman in battle against corruption



India's Prime Minister V. P. Singh (left) is to create an ombudsman institution with power to inquire into the office of the Premier as part of proposed reforms to curb corruption. Other plans include autonomy for TV and radio. Page 5

Hungarian PM resigns from party praesidium

By Judy Dempsey in Budapest

HUNGARY'S Prime Minister, Mr Miklos Nemeth, yesterday resigned unexpectedly from the praesidium of the Hungarian Socialist (formerly Communist) Party after failing to gain the party's full support for his tough budget.

The proposals formed a package of austerity measures aimed at reducing the budget deficit from Forints 21bn ($328.4m) to Forints 10bn through price rises, a reduction of state subsidies and closure of more than 50 unprofitable enterprises.

A stand-by credit from the International Monetary Fund remains dependent on Parliament's acceptance of the budget which is seen as a blueprint for economic recovery.

Socialist deputies, who dominate Parliament, had earlier in the week criticised Mr Nemeth's proposals for reforming the system of subsidies and mortgages on housing on the grounds that they were too tough for the population.

Mr Nemeth had originally proposed a 35 per cent increase in rents for state housing, which accommodates about a fifth of the population and which for years had been heavily subsidised. In addition, he proposed introducing interest charges, ranging between 2 and 18 per cent, on private housing mortgages. They are at present interest-free as a means of coping with the acute housing shortage.

Deputies had sharply criticised the housing package, not only because it is one of the most sensitive issues in the country, but also because the unpopular measures would have decimated the party's chances in next year's first free parliamentary elections since the Second World War.

They also argued that the population, about to face food price rises of 25 per cent from January, and already coping with an inflation rate of 15 per cent and falling living standards, would not tolerate the new measures.

In the end, deputies accepted a compromise version of the Prime Minister's proposals which, if the other austerity measures (even in modified form) are accepted, will not undermine the budget.

Progress expected on tough EC single market issues

By Lucy Kellaway in Brussels

MEASURES DESIGNED to create a single market in some 30 different areas will be considered by European Community industry ministers tomorrow and Friday in a marathon session that is expected to see real progress on many difficult counts.

The meeting is seen as the final test of the French presidency, which until now has made relatively pedestrian progress on many single market measures but is preparing for a final dash before its time runs out at the end of the year. The two most important areas – merger control and public procurement – were singled out at the Strasbourg summit as needing urgent agreement, and at least on mergers an accord seems to be in the bag.

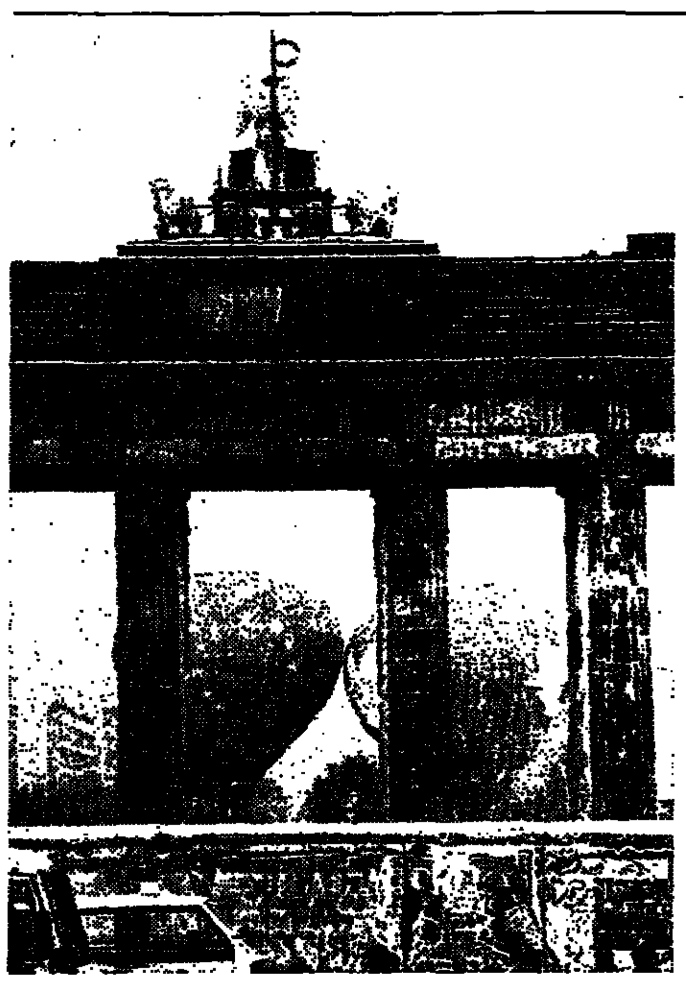
There is also a fair chance that ministers will agree to extend existing rules on public purchasing to sectors that have traditionally been excluded, such as energy, telecoms, water and transport. The difficulty will be to reconcile the various exceptions requested by member states, each of which has wanted to protect its most important markets. The UK has asked for offshore supplies to be excluded, France water supplies, West Germany, coal etc.

Ministers must also decide how open the Community is to be to third country suppliers. Some member states would like any goods with less than 50 per cent EC content to be excluded from the rules, so that buyers need not take these bids into account.

A second suggestion is to allow the purchaser to ignore third party tenders except where they are more than 3 per cent cheaper than the best Community offer. Other more liberal countries argue that there should be no special preference given to EC suppliers, especially as such arrangements are likely to outlawed in the next Gatt agreement.

An important first step is also expected to be taken towards a free market in insurance. A broad political agreement is expected on the second life insurance directive, which would allow a prospective policy-holder to buy insurance in other member states. After many years of negotiation agreement also may be reached on the conditions under which penisoners, students and "playboys" can live in each other countries.

For the first time the record of countries in implementing EC directives will be examined by ministers. This is expected to become a regular feature of council meetings, and is intended to put moral pressure those with poor records.



Two balloons bearing the word "Europa" and a dove prepare to lift off at Berlin's Brandenburg Gate yesterday

SPD agrees programme under shadow of German question

By David Goodhart in Bonn

THE WEST GERMAN Social Democrats yesterday agreed a new party programme, the seventh in the party's 130-year history and the first since the Bad Godesberg programme of 1959 in which the party officially made its peace with the market economy.

Passing the Berlin Programme – crudely described as Bad Godesberg plus feminism and environmentalism – should have been the confident climax to a long, and sometimes painful, debate about how to adapt the party's democratic socialist values to late 20th century realities. Instead, thanks to the re-emergence of the German question, the programme debate has been made to appear rather irrelevant.

As recently as early summer this year the SPD was riding high in the polls and setting the political agenda with its plans for an ecological overhaul of the economy. The possibility of a "red-green" coalition in Bonn after the 1990 election made the "post-industrial" themes of the Berlin Programme, the stress on quality not quantity, seem the very stuff of politics.

Now red-green is off the agenda and the SPD is straining to catch up with a rejuvenated Christian Democratic Union (CDU) on the national question. The party's best chance of a taste of power after next year's poll looks like a share in a "grand coalition".

Such a coalition of CDU and SPD is improbable but in the event of economic collapse in East Germany, or a referendum in East Germany demanding immediate re-unification, an atmosphere of national emergency in West Germany could require it. It may even be a more practical alternative to a "traffic light" coalition of SPD, Free Democrats and Greens if neither a straightforward centre-right nor centre-left coalition wins an overall majority.

The fact that the Berlin Programme will now attract rather less attention than seemed likely earlier this year may be no bad thing. It has been widely criticised within the party for shifting between the unhelpfully abstract and unnecessarily detailed.

The messiness produced by compromise is nowhere clearer than in the economic section. The ideas of Mr Oskar Lafontaine, the deputy leader, combining shorter working time with more flexible hours and pay have been partly accepted but then watered down by the trade union interests. One of the clearest sentences is a direct quote from the Godesberg Programme: "Competition as much as possible; planning as much as necessary."

But the SPD cannot be written off. Its internal divisions on the German question may have widened but on most other matters the party is relatively united.

EAST GERMANY reported a fall in industrial production last month while a national buying spree occasioned by inflation fears caused a dramatic rise in durable consumer goods sales, writes Leslie Colitt in East Berlin.

Industrial output fell 2.5 per cent compared with a year earlier. Two per cent fewer workers (53,800) were employed in industry as a result of emigration to the West. Output for the first 11 months, however, rose 3.7 per cent against a growth target of 4.2 per cent. The balance of trade in hard currency was "negative", the report said.

Pravda hits out at party critics of perestroika

SENIOR Communist Party critics of Soviet President Mikhail Gorbachev and his perestroika programme were denounced in Pravda yesterday as bankrupt failures with little popular support, Reuter reports from Moscow.

The harsh attack in the official party daily, and its report that the seemingly conservative Leningrad party had adopted a programme fully backing the Gorbachev leadership, came after an assault on Kremlin policies at a key party forum this month.

"The main problem . . . is that many senior party officials in the provinces are putting the blame on the centre for their own incompetence and inability to head the process of perestroika," Pravda writer Yevgeny Solomenko said.

Daniil Granin, a leading Soviet author and parliamentary deputy, reported last week some regional communist chiefs had directly attacked Mr Gorbachev and his programme.

But there has been no full official report of the meeting, at which Mr Granin said President Gorbachev had offered to step down if his policies were not supported. There have been growing public demands during the last few days for an account to be published.

Vadim Medvedev, Kremlin ideological chief, went on Moscow television earlier this week to deny what he said were rumours that the entire Politburo had been asked to quit at the session.

The accounts from Mr Granin and from other Soviet sources have said the assault came from several regional party leaders, particularly from Siberia and Kazakhstan.

"Some people," Mr Solomenko said, "are seeking the reasons for their panic-stricken terror at (forthcoming) elections and their unpopularity among the people not within themselves but in some evil forces or a secret plot.

"They do not understand that this is the argument of the bankrupt: if you can't blame anyone else, blame plotters, spies and hirelings, or the internal enemy!

"That is how the whole of our press and those who are presently at the head of the party and the state have got onto the blacklist."

Elections to republican parliaments and local government bodies are due next year and many long-time party officials are likely to be defeated.

Mr Solomenko is Pravda's correspondent in Novosibirsk, a major Siberian city whose party organisation he particularly criticised. But Pravda slightly distanced itself from his remarks by describing them as "notes of a publicist."

In a report from its Leningrad correspondent, Pravda said a pre-electoral programme adopted by the city party which suffered a heavy defeat in countrywide elections in March showed the organisation was "extremely radical."

Speeches at meetings earlier this month by the city's new party chief, Boris Gidaspov, had been widely seen as attacks on Mr Gorbachev's policies and had sparked demonstrations in the city in support of perestroika.

But the Pravda report said the programme "sweeps away attempts to talk about some swing to the right."

A later meeting largely attended by party members "expressed firm support for the Communist Party Politburo course towards radical reforms," the newspaper's Leningrad correspondent added.

EC, Arab dialogue in Paris

By Ian Davidson in Paris

THE DIALOGUE between the European Community and Arab countries, launched at the time of the first oil shock in 1973 but which never really got off the ground, is to be given a new start at a two-day ministerial conference opening in Paris today.

The French Government hopes the meeting will establish new and simpler procedures for future regular meetings.

The French will propose that there should be an annual meeting of three ministers on each side, in which the European Community would be represented by the "troika" of its present, past and future presidents.

In line with French President François Mitterrand's penchant for public oratory, he and King Hassan of Morocco will make speeches to bring the meeting to a close in a ceremonial session at the Elysée Palace tomorrow afternoon.

But there is no agenda for the ministerial discussions, and there will be no final communiqué nor agreed declaration.

The best augury for the meeting is that all 21 Arab League foreign ministers will be taking part.

Mr Farouq Kaddoumi of the Palestine Liberation Organisation will also attend, as well as the 12 EC foreign ministers.

At one point it seemed probable that the foreign ministers of Libya and Syria, and/or Britain might stay away, since the UK broke off diplomatic relations with Tripoli and Damascus after several terrorist attacks in 1985.

It is now believed, however, that Mr Douglas Hurd, the British Foreign Secretary, will be present, as will Mr Jadallah Azzouz al-Talhi of Libya and Mr Farouq al-Sharaa of Syria.

● Lebanese Prime Minister Selim Hoss said yesterday he would seek European and Arab support for his cabinet's drive to oust Christian General Michel Aoun.

Prime Minister Hoss made the statement shortly before heading to Paris to attend a Euro-Arab conference which he said was expected to discuss the Lebanese problem.

"I will ask for more international support to enable Lebanon to surpass the current state of partition which threatens its unity," Prime Minister Hoss said.

Gen Aoun, who is holding out in the country's Christian enclave, has refused to recognise President Elias Hrawi, or the authority of his cabinet, headed by Mr Hoss.

President Hrawi was elected last month after the assassination of the previous president.

Slowdown forecast for France

By Ian Davidson in Paris

THE GROWTH rate of the French economy is likely to ease back slightly during the first half of next year, after unexpectedly rapid growth during the current year, according to the government Statistical Institute.

Gross domestic product will have accelerated this year to a full 4 per cent, compared with 3.4 per cent in 1988 and 2.8 per cent the year before. During the first half of 1990, however, the Institute predicts a GDP increase of only 1.5 per cent.

The slower pace of growth is not expected to slow the rate of job creation, however, which is likely to remain above the growth of the workforce, and should bring in the unemployment rate down further.

The most encouraging feature of the employment scene, is that a large and rising proportion of new jobs are genuine full-time posts, whereas there has been a steady decline in all forms of precarious employment, whether through job-creation schemes or in the form of fixed-term contracts.

In 1989 as a whole, some 200,000 jobs will have been created, but the Institute forecasts 250,000 new jobs during the 12 months from mid-1989 to mid-1990. As a result, the rate of unemployment is likely to come down to 9 per cent by the middle of next year.

The inflation rate has come down to 1.5 per cent over the second half of the current year, from 2.1 per cent in the first half, and has narrowed the gap with the West German rate of inflation to its lowest level since 1973.

During the first half of 1990, the Institute expects a slight quickening of prices, to around 1.9 per cent, but claims that the underlying inflation rate will then return to the current rate.

The external balance will show a further deterioration for 1989, both in trade generally and in trade in manufactured products.

The balance in manufactured goods will show a deficit for the second half of the year of FFr35bn, after FFr24bn in the first half; and the first half of 1990 is likely to show the same level of short-fall as the second half of 1989.

● Mr Francois Mitterand yesterday became the first French President to visit East Germany which is seeking to gain maximum French backing for its claim to independence, Leslie Colitt adds from Berlin.

The President, who was welcomed by East Germany's acting head of state, Mr Manfred Gerlach, will be treading a narrow path between support for East German sovereignty and the right of Germans to self-determination.

E Germans and Czechs set to scoop investment pool

Hungary may be about to lose its leading position, writes Peter Montagnon

EAST GERMANY and Czechoslovakia stand to scoop the pool of Western investment in East bloc countries as soon as political change prompts them to open their doors to foreign capital, Western bankers and economists believe.

The two countries are free of the debt problems that have plagued other Comecon nations. Czechoslovakia has a long industrial tradition, while East Germany already enjoys privileged status through its special duty-free trading relationship with West Germany.

As competition to attract a still limited pool of available Western funds grows among East bloc countries, they could thus quickly displace Hungary as the bloc's leading recipient of hard currency direct investment.

The two countries are the strongest economies in the East bloc, according to Mr Jan Vanous of the Washington-based PlanEcon consultancy service. "They are just about the only two, perhaps with the inclusion of Hungary, that have some range of goods that overlaps with what is acceptable in market economies," he told a conference organised by PlanEcon and DRI Europe earlier this month in Frankfurt.

A theme that emerged from the conference was the radical change in outlook that has emerged from the rapid spread of political reform in Eastern Europe. With the prospect that most countries will soon be actively seeking foreign investment to help modernise their economies, individual East European countries will have to pay greater attention to marketing their own attractiveness.

Until now Hungary, which pioneered joint venture legislation as long ago as 1973, has been the undisputed leader in the field. East Germany has always resisted foreign investment, largely out of concern that its industry would quickly succumb to the West German domination. Czechoslovakia brought in joint venture legislation at the start of this year, but has so far been timid in actually seeking out capital inflows.

The speed with which these two countries will change their policies remains uncertain, however. For the time being both are preoccupied with political change.

Before the resignation of Mr Egon Krenz as head of state, East German officials had talked of bringing out joint venture legislation early in the new year. A great deal of uncertainty, however, surrounds the question of whether foreigners would be permitted to hold majority stakes in East German ventures. Failure to allow this could act as a significant deterrent to investment even though businessmen believe East Germany will want to find a way of warding off a surge of West German capital.

Mr Vladimir Dlouhy, of the Economic Forecasting Institute in Prague, says that Czechoslovakia, with its established industrial tradition, will be "standing rather high" in the competition for investment funds. With its trading links to the Soviet Union, the country could market itself as a bridge, he adds.

A similar point is made by Mr Csaba Rebassy, of the Hungarian Finance Ministry. He points out that Hungary has only a small domestic market, but its advantage in the race for investment capital will stem from its long experience in seeking to attract capital. Its regulations have been refined to the point where they are liberal even by Western standards.

Despite the potential attraction of its large domestic market, bankers say a much weaker picture is presented by the Soviet Union with its cumbersome bureaucracy and large inflationary overhang of excess savings. Poland also faces intractable economic problems even though it is now moving close to an agreement with the International Monetary Fund.

None the less it was able this autumn to sign up a $10m investment by a Swedish consortium in a paper-mill modernisation project. The Swedish consortium, made up largely of companies who are due to supply the equipment, is guaranteeing a $140m loan for the project, creating a substantial capital inflow for a country long deprived of new borrowings.

However, the intrinsic weakness of Poland's economy, with its unsolved inflation and debt problems, put the country at a disadvantage compared with some of its neighbours.

Mr Andrzej Burzynski, Director of Legal Information at the Polish Chamber of Foreign Trade, says Poland will not respond by creating special privileges for foreign companies, for example by allowing them to carry losses forward for tax purposes. Poland does not want to replace its subsidised state entities with equally pampered and "untouchable" foreign companies.

Western businessmen caution, however, against an East European assumption that money will flood in as soon as the door is opened. Despite wage levels a third of those prevailing in the West or even less, East bloc countries still have to compete with other parts of the world for investment. According to an executive from one West German multinational, it is not easy to persuade board members of the merit of the East European case.

The result is that the overall pot of available investment is still likely to remain small. A relatively small number of high profile, big-ticket deals such as the recent $150m purchase by General Electric of Hungary's Tungsram cannot mask the fact that most Western investments in the East bloc involve only small amounts of capital.

Apart from economic changes such as price reform and currency convertibility, businessmen say one prerequisite for an increased flow is reform of financial structure of most East bloc countries with the provision of basic banking and accounting services. Another is secure access to markets in the West.

The fear that the European Community, which has long used dumping action and quota restraints to limit imports from the Communist bloc, will move swiftly to block low priced imports from the East is a significant deterrent. Secure access to Western markets is an important factor in investment decisions, businessmen say.

A key lever for attracting investment may thus be the trade arrangements that East European countries are able to attract from the EC in return for political reforms. Here, Poland and Hungary are way out in the lead in winning concessions, even though the Soviet Union has now also this week signed a trade agreement with the EC.

East Germany has no such agreement yet and, some experts argue, its special relationship with West Germany is less attractive than it appears because the Federal Republic itself applies quotas to some goods and strictly controls their flow into other Community states.

Only in the longer run however, businessmen say, will the East bloc come into its own as a large and hitherto unexploited market in its own right. For the time being, potential investors have to remember that East bloc countries are still firmly at the stage of having to learn to export before they can afford to import more from the West.

E Germany sends most of its political prisoners home

By David Marsh in Bautzen, East Germany

ONLY AROUND 20 or 30 prisoners are expected to remain by Christmas in East Germany's most notorious prison at Bautzen in the south-east of the country after an act of seasonal clemency towards political detainees, Lt Horst Alex, the prison governor, said yesterday.

Mr Alex, a keen-eyed man of 38 with prematurely grey hair, conducted the Financial Times around the prison – named Bautzen II to distinguish it from another jail complex in the town – in a new sign of East German openness.

In a yuletide spy swap, East and West Germany this week started an exchange of jailed agents, including all the convicted spies lodged at Bautzen from the Bundesnachrichtendienst (BND), Bonn's secret service agency.

Other political prisoners are being released under an amnesty for political detainees announced on Wednesday by Mr Hans Modrow, the East German Prime Minister.

Mr Alex said that his jail, a crumbling Wilhelmine building dating from the early years of this century, held 112 prisoners in the first week of December, but was down yesterday to only 51 detainees.

Mr Alex said some prisoners were being taken to East Berlin to be taken into the care of Mr Wolfgang Vogel, the East German lawyer who habitually handles delicate prisoner releases between the two Germanys.

Out of between 15 and 25 spies in the prison at the beginning of this month, nearly all had now been released. All the West German BND agents – making up around half the total – had been let out except for one.

Mr Alex showed me through the yellow painted cell block boasting 6.5 square metre cells equipped with bed, cupboard, sink, green-seated toilet and six plastic wall hooks.

Expressing belief that some released prisoners might find it difficult to be absorbed back into society, he added that the prison was likely before too long to receive a fresh contingent of West German spies. "Every state needs intelligence agencies," he said.

Missing pastor is silent testimony to popular hatred of Ceausescu

By Judy Dempsey

THE WHEREABOUTS of the young Lutheran pastor who has become a symbol of opposition for the Hungarian ethnic minority in Transylvania have remained unknown since the Romanian police dragged him and his pregnant wife out of their home early on Sunday.

Romanians and his friends in Hungary fear that Father Laszlo Tokes, the 37-year-old pastor from Timisoara, who had been under virtual house arrest for several weeks, could well suffer the same fate of other human rights campaigners: "disappearance." In Romania, that is often a euphemism for death.

Father Tokes first invoked the wrath of the Securitate, the dreaded Romanian secret police, in September 1988.

In a petition signed along with 15 other Hungarian Reformed ministers from Transylvania, where the majority of the country's 1.5m ethnic Hungarians live, he criticised plans by Mr Nicolae Ceausescu, the party leader, to destroy the country's 13,000 village communities.

Mr Ceausescu had long wished to "modernise" the countryside. But, in doing so, it would have meant the destruction of the heritage of the ethnic Hungarian and German communities, which together with the Romanian culture, contributed to a rich cultural and social identity.

As the surveillance was stepped up, Father Tokes continued to criticise the regime.

But it was an interview given last March to a French-Canadian journalist, broadcast in August on Hungarian television, which was the final straw for the authorities.

What followed was a series of death threats as well as intimidation of his loyal congregation.

Last September, Mr Erno Ujvarossy, a lay member of the church council and a staunch defender of Father Tokes, "disappeared." On September 16, his body was found in a forest on the outskirts of Timisoara.

That was supposed to have been more than a warning for the indefatigable Father Tokes.

On October 20, after failing to transfer him to another parish, a court issued him with an eviction order from the minister's residence. Father Tokes refused to leave and moved into the sacristy of the church.

Thirteen days later, four masked men, armed with knives, broke into the church and attacked Father Tokes. "We were victims of attempted murder and we haven't had a moment's rest ever since," he said in a taped message smuggled into Hungary in November.

By then, the church was surrounded by armed guards and secret police. His family and friends were driven away. "We live with daily violence and intense emotional strain, but enduring this enforced situation is the worst. . . the nights are horrible," he said in the message. On the night of November 12, "hooligans" smashed his windows.

In early December, the Securitate accused Father Tokes of "embezzlement" and "profiteering" with foreign currency, a charge which carried a prison term of 15 years because it is illegal to hold any foreign currency in Romania.

In addition, his own appeal against his eviction was turned down. The Tokes family were told to leave by December 16.

That Friday night, several hundred ethnic Hungarians formed a human chain around his home. On Sunday at 2 am the police moved in.

What was a peaceful demonstration by ethnic Hungarians in support of Father Tokes turned into a massive anti-Ceausescu rally, reinforced by thousands of Romanians.

The regime's relentless efforts to silence one man may have succeeded for now.

But the way in which Father Tokes has served as a catalyst for thousands of Romanian citizens to demonstrate against the Ceausescu regime is more than a signal of the deep discontent in a society which remains ruled by fear. The erosion of that fear is something Mr Ceausescu is determined to prevent.

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American Airlines invests $650m to expand network

By Paul Betts, Aerospace Correspondent

AMERICAN Airlines, the largest US carrier, has invested more than $650m to expand its international network by acquiring in two separate deals the route rights to London and to South and Central America from Trans World Airways (TWA) and from Texas Air Corporation.

The first deal involves the acquisition of TWA's Chicago-London route authority for $195m. The transaction, however, must still be cleared by the US Government

The second deal involves an agreement with Texas Air to acquire route authorities to 20 destinations in 15 countries in Central and South America from Eastern Airlines which is now owned by Texas Air. It also includes the Miami-London route authority of Continental Airlines, which is also controlled by Texas Air. American is paying $471m to Texas Air for these routes.

American's acquisition of both the Chicago-London and Miami-London routes is expected to increase competition on transatlantic scheduled airline services and put pressure on British Airways and other European airlines.

Mr Robert Crandall, American Airline's chairman, said yesterday the airline was now seeking to use Miami as a key international hub for services to Europe, Canada, as well as Central and Latin America.

Both the Chicago-London and the Miami-London routes will strengthen American Airline's European network which it has been building up rapidly in the last few years. Barely six years ago, the airline operated no services to Europe. The new Central and South American routes also confirm the airline's global ambitions.

Like other US airlines, American has been scrambling to position itself in the European market ahead of the 1992 single market deadline.

● British Aerospace has won orders worth more than $200m for up to 10 BAe 146 regional jets from two European carriers. Sabena, the Belgian airline, has ordered four BAe 146-200 with options for a further four, while Aerotaxi Sud of Italy has ordered two BAe 146-300 jets. BAe won orders worth $300m last week from Crossair of Switzerland for four BAe 146-200 with options on a further eight aircraft.

Tokyo denies issuing anti-UK guidance

By Ian Rodger in Tokyo

MITI, Japan's Ministry of International Trade and Industry, has vigorously denied guiding Japanese companies to spread their investments around European Community countries rather than concentrating them in the UK.

"We have never given any guidance on this issue. It is a matter that is entirely up to companies themselves to decide," Miti said yesterday.

The issue has arisen following the decision last week of Mitsubishi Electric (Melco) to locate a $284m European semiconductor plant in West Germany. The UK had hoped that the company would choose Scotland, where it already has large television and video cassette recorder factories, for the new plant.

In recent months, especially following decisions by Toyota Motor and Fujitsu to build huge plants in the UK, the view has grown in Japanese industrial circles that the concentration of investment in the UK might arouse anger in other European countries. There have also been suggestions that Miti was warning companies of the possible political implications of their EC investment decisions.

EC and US in deadlock over tariff reductions

By William Dullforce in Geneva

THE Uruguay Round on the liberalisation of world trade suffered a setback yesterday when negotiators failed to resolve a long-standing confrontation between the European Community and the US over how to carry out tariff reductions.

There is now no agreed method for effecting the 33 per cent cut in customs duties set by trade ministers as one of the Round's objectives. The Round is due to end next December.

"We would have to negotiate next year in disorder, not in an orderly manner," a senior European official said.

Initial efforts to break the procedural impasse before the end of 1989 failed, when the EC refused to abandon the use of a formula to produce co-ordinated reductions in tariffs over the whole gamut of industrial products, including textiles and clothing.

The US wanted to negotiate reductions by individual product sectors, including agriculture, on a request-and-offer basis.

This arrangement would have enabled it to minimise concessions it might have to make on its high textiles tariffs, but tackle EC farm duties.

Agricultural tariffs could be dealt with only by the group negotiating a comprehensive package deal on world farm trade, the EC said.

However, the Americans had proposed a compromise, under which countries would submit by mid-February the cuts they were prepared to make in their duties.

The lists would be circulated to all Gatt members after which the request-and-offer process would take over.

The offer to compromise collapsed when the EC insisted on including a "benchmark" process, to ensure that the reductions were harmonised across the whole gamut of industrial products and did not allow countries to make exceptions for particularly sensitive items, such as textiles.

EC officials, linking the American demand for a bilateral request-and-offer method with Section 301 of the new US Trade Act, said Washington was aiming to negotiate "with a gun in its pocket."

Section 301 enjoins the US Administration to retaliate in certain circumstances against so-called unfair traders.

It had been hoped that agreement on the method for reducing tariffs would trigger serious negotiations next year on a wide range of other trade barriers, such as blocking exporters' access to markets, orderly marketing arrangements, import quotas and other quantitative restrictions to trade.

Although both EC and US officials tried to minimise the importance of the setback over tariffs, negotiators from several other countries saw it would betoken a poor start to 1990, the concluding year of the Uruguay Round.

EC unveils alternative plans for world farm trade

By William Dullforce in Geneva

THE EUROPEAN Community yesterday formally unveiled its counter-proposal to the ambitious programmes tabled previously by the US and the Cairns Group of 14 agriculture-exporting nations.

Australia, which co-ordinates the Cairns Group, said the proposal embodied several elements which could form a basis for negotiation.

Both the Americans and the Australians said the Community had shown readiness to address all the protective elements distorting farm trade – export subsidies, domestic supports and obstacles preventing access to markets.

However, for all their relief that the EC had opened the way for serious talks, most countries stressed the size of the gap remaining between the Community and the two other main protagonists.

Mr Guy Legras, the EC Commission's director-general for agriculture, said the Community's paper set out a framework, within which countries could work, if they were serious about negotiating.

Mr Joseph O'Mara, the US farm talks negotiator, challenged the fundamental principle enunciated – that without public intervention on prices, agricultural production would adjust through cyclical crises.

The Community's approach addressed the symptoms not the underlying problem, which was governments' attempts to manage markets, Mr O'Mara said. The US has proposed a far-reaching dismantling of all farm supports.

The Americans were pleased that the EC had partially accepted "tariffication" – the conversion of non-tariff border obstacles to trade into customs duties which could then be successively reduced – but they rejected the demand that their deficiency payments to farmers should be subjected to tariffication. The US would commit itself to phasing out these payments in a separate component.

The EC's insistence that it be allowed to "rebalance" concessions in some areas with increases in import protection in others was rejected by all delegations. While the US approved the EC's offer to attenuate the effects of its variable levy, Mr Legras's assertion that the Community's dual pricing system was not negotiable drew all-round criticism. The variable levy is a key element of the dual pricing mechanism.

Australia objected that the EC's proposal to reduce supports gradually in a first stage of five years offered no certainty about what would happen afterwards. But Mr Legras contrasted the EC's pragmatic approach to that of the US and the Cairns Group, who advocate the complete elimination or reduction of all supports for agriculture.

Godzilla enters Japanese epic airport battle

Robert Thomson on the problems besetting Osaka's ambitious £4bn construction project

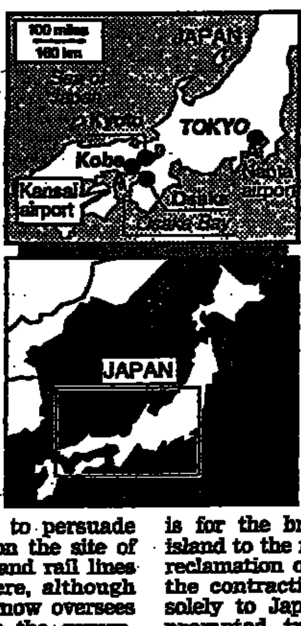
A GODZILLA film just released in Japan features Kansai international airport – under construction on a man-made island 5km into Osaka Bay – as the battleground in a climactic confrontation between two oversized monsters.

In real life a hardly less dramatic confrontation over the ambitious project is taking place between local residents and developers and between the US and Japan.

That an airport still four years from completion is a prop in the film is testimony to its impact as a landmark in the Japanese mind. Yet, doubts remain about the success of the Y1,000bn (£4.3bn) project, which is in danger of serious cost and time overruns, and may not become the hub of western Japan that its planners intended.

Local governors and mayors have come to Tokyo to urge that the national government support the completion of the airport's planned three runways, instead of the single runway that has so far received central funding.

Mr Hajime Ishii, the director-general of the National Land Agency and influential in development projects, said that finding the money is no problem for the central government, but Tokyo officials would like to see the first stage completed before they commit more money to the project, which is being supplemented by Y2,850bn in related property and infrastructure projects.



He said the developers, the Kansai International Airport Company (KIAC), had yet to persuade residents living on the site of connecting road and rail lines to move elsewhere, although Mr Ishii himself now oversees a law that gives the government increased rights to buy the property of private landowners.

Then there is the matter of foreign involvement in a project that was a source of US-Japan friction and is now meant to be a symbol of international construction co-operation. The US had targeted the airport in trade talks to open opportunities in the Japanese market for its construction and technology companies, and KIAC now emphasises that contracts for the terminal building and other facilities will be awarded through the use of "transparent methods".

Unfortunately for the project's profile, Japan's Fair Trade Commission, the anti-monopoly body, recently fined six Japanese companies for forming an illegal cartel for the filling operations. But Mr Yoshi Takeuchi, president of KIAC says the rest of the project will be constructed with the combined "wisdom of Japan and the rest of the world".

KIAC says that, aside from work on the foundations, foreign companies have won Y1.4bn of Y5.4bn in contracts awarded for airport facilities.

The airport is the centrepiece of a plan by authorities in and around Osaka to quicken the development of the Kansai region, which takes in Kyoto and the port of Kobe.

Osaka already has an international airport, near the city centre, which has brought complaints from residents. It had been presumed the airport would be closed, but some Osaka officials want to keep it open, and a survey of 6,000 residents by the Transport Ministry found that 60 per cent agreed.

KIAC is obviously disappointed by this, which may mean it will handle only a share of the flights into Osaka. There are now 120,000 take-offs and landings per year. The new airport, to be open 24 hours and described by its supporters as "the airport of the 21st century", is to have a capacity of 160,000 take-offs and landings, although Mr Sakae Kishi, the governor of Osaka, has said that unless central approval is given for three runways "we will not be able to meet all the demands on a modern, international airport".

Of the Y1,000bn cost, about Y300bn will be covered by equity financing, two thirds from the national government and a sixth each from local governments and private companies. The remaining Y700bn is to be funded through public and private loans and bond issues. Of the total, Y560bn is for the bridge linking the island to the mainland and the reclamation of the island, and the contracting of this work solely to Japanese companies prompted trade complaints from Washington.

The project is certainly grand. The reclamation work, expected to be completed by the end of 1991, will involve transporting about 150m cubic metres of soil. The substructure of the bridge has already been partly completed, and and the superstructure is scheduled to be finished in early 1993.

Like Tokyo's international airport at Narita, the Kansai project has been a target for violent protests. Three KIAC boats were burnt out a year ago, and the company blames extreme left-wing groups which suspect that the airport will have military functions.

Concern about such attacks prompted KIAC officials to ask the makers of the Godzilla film to change a scene in which a Japanese military plane took off from the airport to attack the monster. As one company official explained: "We did not want anything shown to suggest that there is a military connection. That would only encourage these groups."

PANAMA: US MILITARY INTERVENTION

Sanctions proved little more than an irritant

By Anatole Kaletsky in New York

THE ECONOMIC and financial sanctions against Panama formally lifted by President George Bush after yesterday's invasion turned out to be little more than an irritant to the US business community, instead of a fatal blow against the Noriega regime.

The sanctions, which began with the suspension of all economic and military aid in 1987, were turned into a serious weapon in April 1988, when President Ronald Reagan froze all Panamanian government assets in the US and ordered US citizens and companies operating in Panama to withhold tax payments.

The country was considered particularly vulnerable to financial sanctions because of the use of the US dollar as its main currency.

However, the Noriega regime had removed significant assets from US jurisdiction and the local banking system proved flexible and efficient in establishing an alternative currency when dollars ran out. Another reason for the failure of the sanctions was that the Reagan Administration stopped short of declaring a total trade embargo.

Since companies which wanted to continue operations in Panama had no alternative but to co-operate with the Government, the US financial boycott was widely circumvented and dollar tax revenues started to flow again into the Noriega treasury within a few months of the sanctions being announced.

Last April President Bush attempted to tighten the financial sanctions further, but Congressional analysts in Washington said there were no serious efforts at enforcement.

Then, in September, after General Noriega's installation of a new "puppet government", Mr Bush said he would tighten the screws again and started studying additional economic sanctions the US could deploy.

The outcome of this review was an announcement three weeks ago that Panamanian-registered vessels would not be allowed to enter US ports.

But even this blow was softened by giving shipowners a deadline of January 31 to re-register their vessels – a precaution which they will now presumably not have to take.

Our Foreign Staff adds: Nicaragua yesterday demanded an immediate meeting of the UN Security Council on Panama, but public debate was delayed because of doubts about who should speak for the Panamanian Government.

In a message to Mr Javier Perez de Cuellar, the UN Secretary General, President Daniel Ortega of Nicaragua condemned the US invasion and said he would call for strong action by the Security Council against the US.

A UN spokesman said it was up to the Assembly to decide if there should be any change of Panamanian representation from the Noriega regime.

In a flurry of diplomatic activity at the UN, US delegate Mr Thomas Pickering said US troops had acted in self-defence under Article 51 of the UN Charter, following the Noriega regime's declaration that a state of war existed and the killing at the weekend of an unarmed American in Panama.

Praise drowns out doubts over longer term

Peter Riddell examines support for Bush and the questions raised by the US intervention in Panama

SENDING US troops into action overseas has always been the most difficult, and politically risky, decision for any US president.

Yesterday, a few hours after the military action in Panama had started, President George Bush had secured widespread political support within the US for his decision – not least because American forces were still in operation.

However, some doubts were privately expressed about the longer-term results, in terms both of securing the authority of the new government in Panama and of relations with other Latin American countries.

In the short term, the main questions were over the number of US civilian and military casualties, the fate of any hostages and the whereabouts of General Manuel Noriega, the newly overthrown Panamanian strongman. All those could affect the developing response of the US public to the military action.

Even so, Mr Bush's decision was seen by most in Congress as unavoidable. Senator George Mitchell, Democratic majority leader in the Senate and a recent critic of the president on other foreign policy issues, said his order "was made necessary by the reckless actions of General Noriega." There were only a few Democratic dissenters, including Senator Claiborne Pell, chairman of the Senate Foreign Relations Committee, who questioned the wisdom of acting unilaterally.

There was already widespread support for strong action, given the failure over the past two years of diplomatic initiatives and economic sanctions to oust Gen Noriega.

After the embarrassing collapse of the coup bid by Panamanian officers on October 3 against the general by parts of the Panamanian Defence Force, Mr Bush faced widespread criticism for being ineffective.

As he made clear in his broadcast yesterday, the last straw leading to his decision to intervene was the event of last weekend when Gen Noriega's national assembly declared a state of war with the US, an unarmed US officer was murdered, and other servicemen were attacked and threatened. That, the president said, "was enough."

Yesterday, Mr Bush gave a five-minute televised address at 7.20am from the Oval Office. He stated the objectives of safeguarding the lives of American citizens (35,000 of whom live in Panama), defending democracy in Panama, combating drug trafficking (Gen Noriega has been indicted in a US court) and protecting the Panama Canal Treaty.

Mr Bush sent a private cable to Soviet President Mikhail Gorbachev, explaining the reasons for the US military intervention in Panama just after the operation began, Mr James Baker, Secretary of State, said yesterday.

But he added there was some evidence to suggest that the message did not arrive before Moscow issued a strong condemnation of the US action, describing it as "gunboat diplomacy".

Mr Baker linked the US military move to the Soviet Union's policy regarding change in eastern Europe.

Both superpowers, he said, were supporting democracy. The Soviet Union was doing so by staying out of other countries and the United States, on this occasion, by going in.

The president's address was followed within half an hour by a televised briefing by Mr Dick Cheney, Defence Secretary, and General Colin Powell, chairman of the Joint Chiefs of Staff. They stressed that US forces had secured their main military objectives, isolating and neutralising the Panamanian Defence Force, forcing Gen Noriega to become a fugitive and installing Mr Guillermo Endara as president. The failure to capture the general was presented almost as a secondary matter.

These presentations appear to have given Mr Bush the immediate initiative. But any judgement is preliminary and conditional. First: how many US casualties will there finally be? How many dead GIs is Gen Noriega worth? Have any US hostages been taken and what is their fate?

Has the Panamanian Defence Force really been subdued and neutralised? Can Gen Noriega mount an effective guerrilla campaign from outside Panama City? Can the intervention be regarded as a success while he is at liberty?

Can the Endara government establish its authority quickly and convincingly? Being sworn in as president on a US military base in the middle of the night does not establish immediate independence from Uncle Sam, for all Mr Endara's credentials won when denied a democratic victory last May in elections annulled by Gen Noriega.

Having committed large numbers of US troops, will Mr Bush find it easy to reduce them to the previous "normal" levels of the US presence?

On an international scale, what does the US intervention mean for relations with other Latin American countries, especially in view of the Bush administration's efforts to lower tensions in Nicaragua? Were protests yesterday by other Central American governments ritualistic or will they have a more lasting impact? (A contrast was immediately, if perhaps misleadingly, drawn between the US action and the Soviet Union's refusal to intervene militarily in eastern Europe.

The most serious political test of Mr Bush's 11-month presidency is not over yet.

A pock-marked Caligula still a hard man to nail

David Gardner assesses the colourful career and remaining options of General Noriega

ACCURATE intelligence is the commodity with which General Manuel Antonio Noriega built and sustained his remarkable career, and it seemed last night that advance warning of the latest US strike against him had temporarily postponed what seems destined to be an ugly end.

"Tony" Noriega has has an eye for his adversaries' weaknesses and needs, which has enabled him to dominate a strategic country and resist previous efforts to remove him.

Even in outline, though, his rise from the Panama City slum of Chorrillos – where yesterday his fortified general headquarters was reduced to smouldering rubble by US troops – is quite a story. He is probably the illegitimate son of an obscure accountant and his maid. He is probably 55 (though claims to be 51).

This September, the US State Department estimated his assets to be $200m to $300m, including properties in France and Japan, and three luxury yachts: Macho I, Macho II and Macho III.

The man who took him off the streets and placed him on the rungs to this characteristically vulgar ostentation was his half-brother, Luis Carlos, who put him through school and, in 1962, got him into a military academy in Peru. He soon attracted the attention of the CIA, being willing to sell information on his academy comrades and instructors, some of whom were soon to take over Peru.

According to Mr William Jorden, former US ambassador to Panama, Gen Noriega was recruited by the CIA in 1966. By then, he was part of the entourage of the late Omar Torrijos, the young officer who seized power in Panama in 1968, starting the de facto rule of the Panama Defence Forces (PDF) which lasted until yesterday.

Torrijos is said to have got the young Noriega off charges arising from two separate rapes (of a prostitute and a 13-year old girl) during this period – an early instance of the strongman's taste for sexually humiliating his opponents, one of the darkest sides of a rule which, for the most part, avoided bloodshed.

Gen Noriega repaid Torrijos's protection by playing the decisive role in putting down a 1969 coup against the latter. This feat earned Gen Noriega the command of G-2 (military intelligence), which he was to head until 1983. It became the power base from which he constructed a praetorian guard and parallel general staff, oiled by a business network built largely on companies owned by the Defence Forces and providing services for the Panama Canal, and on arms and drugs trafficking.

When Gen Torrijos died in a still unexplained air crash in 1981, Gen Noriega was well placed to emerge triumphant from the in-fighting which followed, when he shoved aside one rival after another.

Omar Torrijos was a magnetic and popular leader, who gave Panama's melting-pot society a new cohesion, based on some wealth redistribution and a successful foreign policy which won the country prestige out of all proportion to its size and 2.2m population. His cardinal achievement was the 1977 Treaties by which the US is to return the canal in phases, by 1999.

Torrijos used this external focus to bring Panamanians out of neo-colonialism, making them care for the first time about building an independent nation around a piece of land coveted by the world and owned by the US.

Gen Noriega's historic failure is to have destroyed this cohesion and independence by turning Panama into a piece of personal real estate for rent to the highest bidder – or, more usually, to rival bidders simultaneously.

Panama under Gen Noriega became a hive of international intrigue, coinciding with the most intense moments of Washington's obsession with Central America. Once in charge, the general took the logic of Panama's position as a transit country for ships, money and goods to its conclusion. Until the current crisis broke in mid-1987, he was able to mesh himself into the plans of US government departments he had long dealt with and which he was adept at playing off against each other.

The US had long known of Noriega's drugs and arms trafficking.

It was known, for instance, that he (and Torrijos) had supplied the Sandinistas prior to their successful take-over in Nicaragua in 1979, and funnelled guns to Colombian M-19 guerrillas in 1981-2. But, in what became a pattern for US relations with its intelligence asset, FBI charges against him in early 1980 were dropped immediately Panama had given asylum to the Shah of Iran.

Gen Noriega's belief, until recently, that he retained supporters in Washington, has solid precedents.

His reasoning has been that, if the Defence Department, for instance, objected to his passing secrets to President Fidel Castro of Cuba, and the US Drug Enforcement Administration wished to sever his links with the Medellin cocaine cartel in Colombia, his discreet support for the Nicaraguan contra rebels in Washington's proxy war against the Sandinistas would win him the support of the State Department, the CIA and the protectors of Lt-Col Oliver North.

His survival of the last two years of relentless pressure has rested on his ability to capitalise on continuing US wrong-footedness, even while Washington successfully vilified him internationally as a pock-marked Caligula.

Washington has signally failed to convince the PDF – its only lever against Noriega short of the seemingly open-ended intervention it has now embarked on – of its intentions.

The PDF, drawn largely from the black and mixed-race working class and peasantry, believes its political and social prominence is at risk if its commander is driven out by the US in alliance with the largely white merchant class and traditional oligarchy.

It further insists that Washington's real target is the retention of the canal, with which the PDF sees its future bound up. Captain Eduardo Lim Yueng, a prominent PDF spokesman with little personal affection for Noriega, summed up this attitude at the height of the crisis last year: "We cannot permit the break-up [of the PDF. This attack is not only against the general but aimed at the Defence Forces. There can be no retreat which puts us back on the streets as a police force with truncheons. We are part of the Panamanian state."

Also, US sanctions have all but razed Panama's once thriving economy, damaging Washington's prestige among Panamanians and throughout the region. But they have simultaneously reinforced Noriega's tight, largely self-financing network.

While the general's power base has beenslowly eroded, his intelligence edge has enabled him to defeat two botched coups – in March 1988 and October this year.

Besides, the nationalist flag in which he has wrapped himself is threadbare, the general has resisted total isolation by exploiting Latin American fears that the drugs issue could displace left-wing insurgency as the pretext for US intervention throughout the continent.

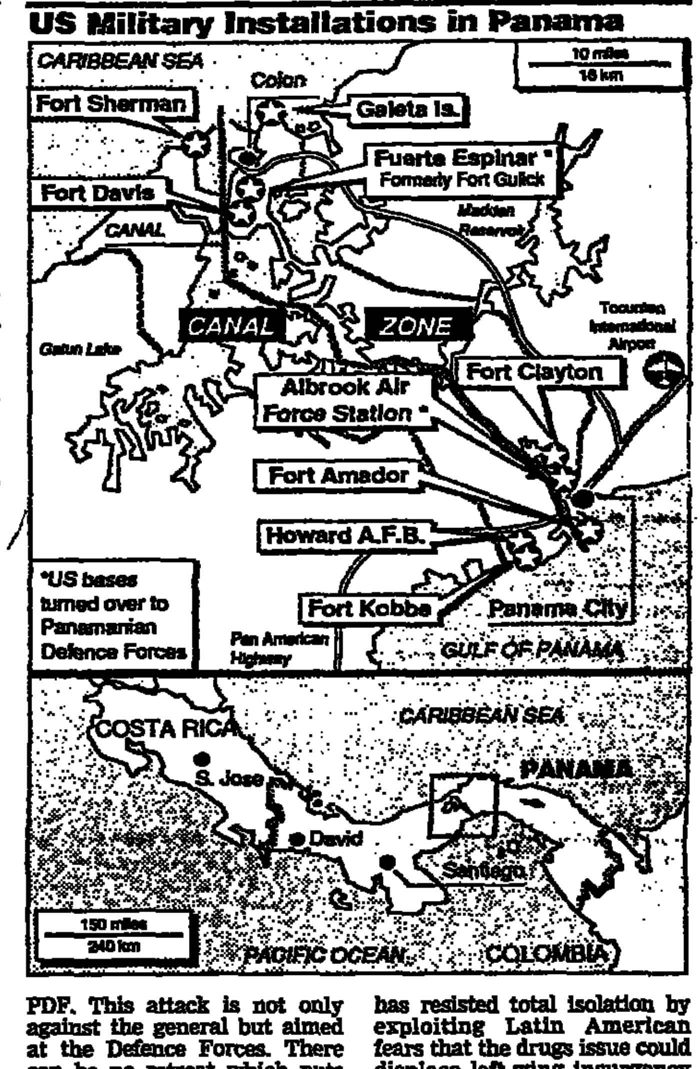
During all this, though, Noriega's posture has been defensive.

Aside from womanising and drinking, his best-known recreational skill is judo, in which he holds a black belt. He has never looked more cornered than now and he will fight if he can.

He and his aides had bragged that, even in the event of invasion, they would wear down US forces in the inhospitable Panamanian interior, forecasting a new Vietnam.

The scale of the comparison matches Noriega's delusions of grandeur, but he may still prove a hard man to get.

US Military Installations in Panama



Manuel Noriega might seem behind bars in this recent picture but he was still at large last night

Bush: I acted to protect Americans

THERE follows an edited transcript of President George Bush's television address on US troops being sent to Panama to overthrow General Noriega:

My fellow citizens, Last night, I ordered US military forces to Panama. No president takes such action lightly. This morning, I want to tell you what I did and why I did it.

For nearly two years, the US, the nations of Latin America and the Caribbean have worked together to resolve the crisis in Panama. The goals of the US have been to safeguard the lives of Americans, to defend democracy in Panama, to combat drug trafficking and to protect the integrity of the Panama Canal treaty.

Many attempts have been made to resolve this crisis through diplomacy and negotiations. All were rejected by the dictator of Panama, General Manuel Noriega, an indicted drug trafficker.

Last Friday, Noriega declared his military dictatorship to be in a state of war with the US, and publicly threatened the lives of Americans in Panama. The very next day, forces under his command shot and killed an unarmed American serviceman, wounded another, arrested and brutally beat a third American serviceman, and then brutally interrogated his wife, threatening her with sexual abuse.

That was enough.

General Noriega's reckless threats and attacks upon Americans in Panama created an imminent danger to the 35,000 American citizens in Panama. As president, I have no higher obligation than to safeguard the lives of American citizens.

That is why I directed our armed forces to protect the lives of American citizens in Panama and to bring General Noriega to justice in the US.

I contacted the bipartisan leadership of Congress last night and informed them of this decision. After taking this action, I also talked with leaders in Latin America, the Caribbean and those of other US allies.

At this moment US forces, including forces deployed from the United States last night, are engaged in action in Panama. The United States intends to withdraw the forces newly deployed to Panama as quickly as possible.

Our forces have conducted themselves courageously and selflessly. I salute every one of them and thank them on behalf of our country. Tragically, some Americans have lost their lives in defence of their fellow citizens, in defence of democracy. My heart goes out to their families. We also regret and mourn the loss of innocent Panamanians.

The brave Panamanians elected by the people of Panama in the elections last May – President Guillermo Endara and Vice-Presidents Calderon and Ford – have assumed the rightful leadership of their country.

I've today directed the Secretary of the Treasury and the Secretary of State to lift the economic sanctions with respect to the democratically elected government of Panama and, in co-operation with that government, to take steps to affect an orderly unblocking of Panamanian government assets in the US.

OTHER AMERICAN NEWS

Fed signals prime rate cut

By Janet Bush in New York

THE US Federal Reserve gave a clear signal yesterday it was easing monetary policy by another notch, a move which should soon prompt commercial banks to lower their prime lending rates.

It is the first time that the central bank has moved to encourage lower interest rates since early November despite an accumulation of evidence showing that the economy slowed to a sluggish pace in the final months of the year.

The US government bond market rallied immediately after the Fed aggressively added reserves to the banking system through overnight system repurchase agreements, the strongest signal in the central bank's armoury.

The Fed's move came when the Federal Funds rate, the rate at which banks lend to each other overnight, was quoted at 8⅛ per cent, a little below the Fed's 8¼ per cent target. Bond analysts believe the latest easing takes the Fed Funds target to 8¼ per cent.

The timing of the move was not unexpected. The policy-making Federal Open Market Committee, which sets the target for Fed Funds, met on Tuesday and yesterday. The meeting was held against the background of a sharply falling stock market, undermined partly by bank exposure to the weak real estate market.

Commercial banks which maintained 10.5 per cent prime rates after the Fed's last move to lower interest rates in early November, hoping for a further easing to an 8¼ per cent Fed Funds rate, will probably now lower their rates to 10 per cent.

US growth revised up to 3%

By Anthony Harris in Washington

US REAL gross national product grew at an annual rate of 3 per cent in the third quarter, up from an earlier estimate of 2.7 per cent, and a first estimate of 2.5 per cent, the Commerce Department announced yesterday.

However, the biggest changes in a total $3bn revision were in inventories, where the fall in retail and car inventories was revised downward sharply.

This is a mildly bearish indicator for subsequent periods.

The implicit price deflator – a broad gauge of inflation that measures price changes on selected goods and services – remain unchanged at 3.2 per cent.

The other main change was in estimated profits, revised up by $3bn at the pre-tax level to show a fall of 7.1 per cent from the previous quarter, against the earlier 8.1 per cent estimated fall.

The trade deficit was also revised downwards slightly.

Economists said fourth quarter growth has dropped off dramatically and may actually contract after seven years of uninterrupted expansion.

Brazil's new president faces stiff opposition

By Ivo Dawnay in Rio de Janeiro

MR FERNANDO Collor de Mello, Brazil's president-elect, yesterday received early notice of the formidable opposition that awaits him in Congress, even before the final votes from Sunday's ballot were counted.

The national executive of the Workers' Party (PT), whose candidate, Mr Luis Inacio Lula da Silva, lost the poll by around 3.5m votes, has decided to mount a "shadow" government along British lines, aimed at closely monitoring the new administration.

The move, which may be joined by other Left parties, intends to offer "intransigent opposition" to the new president when he takes office on March 15.

Mr Collor's efforts to attract support for his vision of a "cross-party alliance" of National Unity on a broadly social democratic programme also appeared to be falling at the first fence.

Leaders of the Social Democratic Party of Brazil (PSDB) meeting in Brasilia yesterday determined not to allow members to join a Collor government. The party would take an opposition stance, while backing the administration when appropriate, officials said.

The decision comes as a blow to the new president who had been anxious to attract at least some of the PSDB's nationally respected politicians into a broad-based administration.

Despite these setbacks, however, one pundit calculated yesterday that Mr Collor's tiny Party of National Reconstruction (PRN) could gather a clear majority in the Congress by creating a coalition absorbing all the parties of the right and a formidable tranche of the ill-defined Brazilian Democratic Movement Party (PMDB).

Nevertheless, many political scientists believe that holding such a disparate group together while attempting to introduce tough new austerity measures to tackle Brazil's roaring inflation, now over 50 per cent a month, could prove extremely difficult.

Furthermore, Mr Collor has appeared anxious to characterise his administration as a popular front to unite a country sharply polarised during the nine-month presidential race.

His efforts to do this will inevitably be undermined to some degree by the strongly anti-Communist position he adopted in a bid for votes in the last days of the election.

Pinochet regime names unelected senators

By Barbara Durr in Santiago

CHILE'S outgoing military regime has named six of the nine senators it can appoint under the present constitution.

Four former commanders-in-chief, one each from the army, navy, air force and paramilitary police, were named by the National Security Council and two civilians were chosen by General Augusto Pinochet.

Three more designated senators are to be named by the Supreme Court. The nine will join 38 directly elected.

The issue of designated senators has been controversial. The opposition, led by Mr Patricio Aylwin, the Christian Democrat elected president last week, attempted earlier this year to eliminate this provision of the military's 1980 constitution. But in the negotiations on the constitutional reforms approved in a plebiscite last July a compromise was arranged to increase the directed elected senators from 26 to 38.

The opposition has promised, however, that once installed in the new Congress in March it will still seek to amend the constitution regarding the Senate's composition. Such reforms, which require a two-thirds vote in both houses, will be difficult given that the coalition of opposition parties won only a majority in the 120-member House of Deputies and 22 of the 38 senatorial seats.

Gen Pinochet appointed Mr Sergio Fernandez, his former Interior Minister, who is a leader of the right-wing Union of Democratic Independents and Mr William Thayer, a constitutional lawyer and former university rector who is a vice-president of the moderate right-wing party National Renovation.

FAO calls for big Ethiopian relief effort

By John Wyles in Rome

THE population in Ethiopia which risks death from famine "is increasing at an alarming rate" and only a large-scale international relief effort can avert a fresh catastrophe, warned Mr Edouard Saouma, director general of the UN's Food and Agriculture Organisation yesterday.

In a year end statement lamenting development opportunities missed in the 1980s, Mr Saouma said that an FAO crop assessment mission was currently at work in Ethiopia. But it was "already clear that food supplies in the affected areas will be exhausted during the first few months of 1990 unless urgent action is taken by the international community to pledge additional food assistance and to deliver it swiftly to the hungry."

"Only an international relief operation of major proportions can avert widespread loss of life in northern Ethiopia once again," warned Mr Saouma.

In addition to the provinces of Eritrea and Tigray in Ethiopia, severe food shortages have also been reported in southern Sudan, Mozambique and Angola.

He also drew attention to a further run-down in world food stocks in 1989, the third consecutive year in which cereals consumption has exceeded production. World output reached 1.88bn tonnes, 120m tonnes above 1988, but virtually all of the increase was in developed countries.

Development in many Third World countries in the last decade had been blocked by population growth, foreign debt and trade barriers.

"We cannot afford to lose another decade," he added, pointing out that world population was increasing by 80m a year so that by 2000 there will be more than 6bn people to feed "with 90 per cent of the increase in the developing world already crushed by external debt and protectionism".

Hong Kong passport scheme leaves locals unmoved

The British colony's population has become resigned to fending for itself, reports John Elliott

THE British nationality passport scheme for 225,000 Hong Kong residents announced yesterday has generated considerably more political heat and emotion in London during the past few days than in the British colony which returns to Chinese sovereignty in 1997.

"Everyone is going to be very very disappointed and frustrated with the figures, but most know they have stood no chance of a passport anyway," Mr Martin Cheung, a company executive, said last night. "There won't be so much anger as resentment, plus a cynical reaction about how those getting the passports will be chosen".

Broadly, Hong Kong's ethnic Chinese population of over 5.5m people has become resigned to having to fend for itself. The emotional days that followed the June crisis in China have gone. For several months people have known that the UK would reject demands generated by the June crisis for at least 3.24m holders of British Dependent Territories Citizens passports to be given a UK right of abode.

There will of course be objections in Hong Kong to the limited numbers, and Britain will be accused of being elitist and of not looking after its last major colony properly.

The scheme could also be highly divisive, especially in the civil service as the lucky ones are chosen, and when private sector companies choose those people who should qualify by the special criteria of spending time training or working in the UK.

But last night critical reactions were muted, partly at the Hong Kong government's request. There is a fear that right wing Conservative MPs in London might argue that the scheme should be abandoned if Hong Kong dismisses it as useless.

Some foreign diplomats believe that the most visible practical reaction could be a sharp increase in the number of disillusioned people applying for visas to the main brain drain destinations of Canada (around 22,000 people from Hong Kong a year), Australia (10,000 in 1988-89 rising to an expected 15,000 next year), and newer destinations such as Singapore.

This would be ironic because the scheme announced last night is aimed at stemming the brain drain of people leaving for the insurance of a foreign passport. The government forecasts the departure rate will rise from around 45,000 people this year to 55,000 next year and then level off around 60,000 annually.

"Predominantly we want to keep people who can see us through to 1997. The scheme will be designed for that purpose and to boost confidence," says a government official. The three aims will be: to provide the promise of sanctuary in the UK for people in security-sensitive jobs; to bolster professions and jobs being depleted by the brain drain; and to give confidence to the civil service.

The government is worried about sharply falling morale in the civil service and an exodus from the police. These developments are mainly caused by local ethnic Chinese people not wanting to have to answer after 1997 for their actions under British rule.

It will be several months before individuals and employers know whether they will be one of the 50,000 "heads of household" chosen as key residents on the basis of what is expected to be a points system similar to that used by Canadian emigration authorities.

In the private sector those with most chance will be in the 35 to 45 age group working in the medical profession (especially paramedics), accountancy and auditing, and computer programming and analysis, plus businessmen. The 35-45 age group is being highlighted because these are the people who will be moving into senior jobs by the 1997 handover.

In the public sector the age bands will go higher and will include administrative grades. There will be a special list for people in sensitive jobs which will replace an existing secret scheme that promises abode in the UK for about 5,000 police, security and other top administrators who may find themselves facing trouble.

The professions and jobs at the top of the list are those which are being most seriously depleted by emigration in the colony's brain drain, and which take time to replenish because of lengthy training.

There will be accusations that the scheme is elitist because it is aimed at the colony's most useful and needed people. Officials rebut that criticism, saying the people will be chosen for practical, not elitist, reasons.

The details of the scheme will now be thrashed out by civil servants from Hong Kong and London while the legislation is passing through Parliament. It is assumed that a special office would be opened in Hong Kong to handle applications that would be invited as soon as the legislation receives Royal Assent. The first passport might be issued three months later - perhaps by this time next year - with a proportion being held back for issuing later.

However all this may have little impact on the brain drain figures. Next year's expected 55,000 will not be affected because the scheme will not be ready. There may be some impact in 1991, but even that will be limited because the main recipient countries of Australia and Canada give maximum points to a lower age group starting at 25 to 30. A Hong Kong Institute of Personnel Survey of over 200 companies showed earlier this week that 25-39 was the main brain drain age group.

If it were not for the British scheme however, it is possible that people in the 35-45 group might begin to leave in higher numbers, using personal investment wealth if they did not qualify on points. Diplomats say discreet inquiries were made for the first time after China's June crisis by the sort of people who should qualify for the British scheme.

Hong Kong has lost some 260,000 in the 1980s to the brain drain, and another 400,000 or so will go by 1997 on expected trends. About 40 per cent are wage earners and 25 per cent are in top professional, technical, managerial and administrative posts. Surveys show that 60 per cent or more of professional staff would like to leave.

Britain's new scheme will probably do little to change the figures. It remains to be seen whether it will meet its subsidiary target of boosting confidence, or whether it rebounds and deepens cynicism and divisiveness.

Rabin tells of concern over Iraqi missiles

By Hugh Carnegy in Jerusalem

MR Yitzhak Rabin, the Israeli Defence Minister, yesterday publicly expressed Jerusalem's concern over progress made by Iraq towards developing long-range missiles, space capability and non-conventional weapons

Reacting in parliament to claims earlier this month by Baghdad that it had launched a space rocket and tested two surface-to-surface missiles, Mr Rabin said Iraq was channelling enormous resources into developing advanced weapons likely to give it long-range capability.

"The defence establishment is keeping a close watch on developments in Iraq in various technological areas, especially Iraq's progress in developing medium- and long-range ground-to-ground missiles, its entry into space and the development of non-conventional weapons," Mr Rabin said.

Israel has been deeply worried by Iraq's recent progress towards acquiring home-grown sophisticated weaponry, mainly by tapping Western technology through an elaborate and secretive network of commercial deals in Europe and the US. Defence officials doubt this month's space launch was as spectacular as Iraq claimed – it said it was a three-stage rocket.

Although not regarded as posing an immediate threat, Israel regards Iraq as a potential belligerent which would join in any Arab attack on it regardless of present political differences, especially with Syria.

Mr Rabin said Israeli monitoring of Iraq was designed to enable the Government to "take the appropriate decision in the light of these developments". In 1981, Israel bombed an Iraqi nuclear reactor near Baghdad to pre-empt Iraq acquiring nuclear weapons capability and has since hinted it would be prepared to take similar action again.

Tokyo discount rate confusion

SPECULATION about another increase in the Japanese discount rate soon has been dampened but not dashed by persistent denials from the central bank, Reuter reports from Tokyo

"We're still looking for an ODR (official discount rate) hike before the election," Mr Marshall Gittler, bond analyst at UBS Phillips and Drew International said. The election for parliament's Lower House is expected on February 18.

Such talk has been fuelled by private comments, from within the Bank of Japan and the government, pointing to the possibility of a rate rise.

President Aquino signs the law yesterday giving herself emergency powers

Aquino pledges to use powers decisively

By Greg Hutchinson in Manila

NEARLY two weeks after the end of the bloody coup attempt of December 1 to 7 President Corazon Aquino has signed a law giving herself emergency powers for six months which she said would be exercised decisively.

The powers assigned by Congress should allow her to control coup attempts. This attempt, with the Government shaken by this month's army putsch, was the sixth and most serious attempt to topple Mrs Aquino.

During the coup, the main Makati financial district was transformed into a battleground between military rebels and loyal soldiers, driving tourists and investors – at least temporarily – from the country.

The President has said there would be seizures of illegally acquired firearms. Other powers she can exercise include taking over public utilities and related businesses, fixing prices and interest rates and regulating power distribution. "I shall exercise these powers decisively to carry out their end of protecting our people and reconstructing our economic gains. . . I will not hesitate to exercise them to the full extent needed during the emergency."

If the Congress does not decide otherwise Mrs Aquino's emergency powers end in six months.

Businessmen are eager for her to act decisively as she has pledged this would be a cue for a rebound in local share prices which have seen about a quarter of their value wiped out because of the coup and the uncertainty it has caused.

Ivory Coast reaches debt deal

By George Graham in Paris

IVORY COAST has reached a comprehensive debt rescheduling agreement with its official creditors at the Paris Club.

The Paris Club agreed to reschedule an estimated $1bn of repayments over 14 years, with an eight-year grace period before repayments must begin. This is the longest rescheduling period yet granted to Ivory Coast and replaces a multi-year rescheduling agreement concluded in 1987 but which proved impossible to put into effect.

"We had to get out of the classic formula for intermediate income countries of 10 or perhaps 12 years, with five years grace. That was simply not enough. With this agreement we can wipe the slate clean and start again," commented a Ivory Coast official in Paris yesterday.

Ivory Coast is one of the world's most heavily indebted nations, with an estimated $14bn of debt outstanding at the end of 1988, equivalent to 1.6 times its gross national product.

The country has been severely affected by the collapse in the price of cocoa, its principal export, on world markets, especially as it had insisted for months on maintaining the support prices it paid to cocoa farmers unchanged.

The Paris Club has since the Toronto summit of September 1988 loosened its terms for low income debtor nations, with reschedulings up to 25 years and the total forgiveness of some outstanding debts.

● Tanzania has received aid pledges that should enable it to meet external financing requirements next year, after a meeting of donor nations and multilateral institutions at the World Bank in Paris yesterday.

The country's total financing requirements for 1990 are estimated at $1.3bn, of which $800m will be met by aid pledges. A further $200m is expected to be covered by private transfers, and Tanzania hopes the remaining $260m will come from a debt rescheduling agreement which it is to discuss with the Paris Club in February.

Iranian oil deal shows desire to help hostages

By Hugh Carnegy

CONFIRMATION by the US that Israel has bought oil from Iran is the latest in a series of recent indications that Jerusalem is continuing to make intense efforts behind the scenes to secure the release of its servicemen captured in recent years in Lebanon, an issue which inevitably overlaps with the fate of Western hostages in Lebanon.

Since Israeli commandos kidnapped Sheikh Abdel-Karim Obeid, a Shia Moslem activist, in south Lebanon last July, triggering a dramatic revival of the hostage crisis, the issue has dropped out of the headlines.

The US State Department said on Tuesday it had been informed by Israel of its purchase of Iranian oil last month. Iran denied the sale, but the US television network NBC said Israel had bought 2m barrels of Iranian crude for $36m as part of efforts to secure a deal for the release of six of its servicemen missing in Lebanon and – possibly – Western hostages as well.

Unlike the US, Israel makes no bones about its willingness to deal with any party to gain the release of soldiers captured in action. Mr Uri Lubrani, the Defence Ministry co-ordinator for Lebanon and a former Israeli ambassador to Iran during the Shah's reign, is said by security sources to have had direct contact in Europe with Iranian officials in recent months, presumably including arranging the oil sale.

PART OF REFORM PROGRAMME TO CURB CORRUPTION

Singh to set up ombudsman

By David Housego in New Delhi

THE INDIAN administration of Mr V.P. Singh, the Prime Minister, is to create an ombudsman institution with a power to inquire into the Prime Minister's office as part of proposed reforms to curb corruption.

This was confirmed by President R. Venkataram yesterday in an opening address to the new parliament outlining government policy. While making no reference to the National Front's pre-election pledge to follow-up inquiries into the Bofors scandal, the President said "the law will take its course in respect of matters of corruption in high places".

The broad statement of policy by the new administration is to be followed today by a vote of confidence required by the President when he called on Mr Singh to form a government. Though the National Front has only 140 members in a house with a current strength of 521, it will have no problem in obtaining a majority today because of outside support from the radical Hindu BJP party and the Marxists.

Among other reform measures to be brought in during the present session are amendments to official secrets acts and bills to grant autonomy to the state run radio and television. For the first time the President's address to a joint sitting of both houses was televised live.

Outlining what was essentially a centrist programme, the Government ruled out any concessions to separatist or terrorist movements in seeking solutions to the problems of the Punjab and Kashmir. The President said, however, that there would be a genuine decentralisation of powers and resources to create a federal structure linking the central government with the states.

In the foreign policy section of the speech, the Government laid emphasis on improving relations with India's neighbours. With particular reference to Sri Lanka and Nepal, the President said "the Government will spare no effort to resolve outstanding bilateral issues with our neighbouring countries, consistent with our national interests".

In a lengthy passage on economic policy, the President spoke of the strains of high budget and balance of payments deficits. He said that effective control over the budget deficit was a pre-requisite to restoring external and internal stability to the economy.

The Government is to formulate an "action plan" as a way of improving "import management and export growth".

The address was more cautious over proposed debt relief for farmers than previous statements by ministers. The President said that the Government would take "appropriate steps to provide debt relief for marginal farmers, landless agricultural labourers, artisans and weavers on loans below Rs10,000 (£370)".

Cairo 'car bomb' attempt put in doubt

By Our Foreign Staff

ALTHOUGH the Egyptian authorities have imposed a ban on reports about the investigation into an apparent car bomb attack on Mr Zaki Badr, Minister of the Interior, on December 16, there is a growing belief in Cairo that the incident was not as serious as first appeared.

An explosion near the minister's motorcade could have been caused by a bungled attempt to recharge a car battery, observers say, noting that its force was minimal and that police testimony has been contradictory.

Security sources have implied that a man arrested at the scene who suffered facial burns is a member of a militant Islamic group.

But fundamentalist leaders say the Government is using the incident as an excuse for a crackdown. Opposition sources say police are rounding up the usual suspects in unusual numbers.

Final details of uniform business rate disclosed

By Richard Evans

THE FINAL pieces in the complex jigsaw that will form the new uniform business rate for all commercial and industrial properties in England and Wales from next April were announced yesterday. They will enable businessmen to make an accurate assessment of their future rate liabilities for the first time.

Mr Chris Patten, Environment Secretary, announced that the uniform business rate (UBR) will be set at 34.8p in the pound in England in 1990-91, slightly lower than the provisional figure of 36p announced in November.

That is because the results of the revaluation of all commercial properties, the first for 16 years, indicate that, on average, rateable values will increase by eight times, slightly more than earlier forecasts.

By lowering the poundage, the Government is meeting its undertaking to raise from private businesses and nationalised industries broadly the same amount in real terms as was raised from non-domestic rates in the current financial year. A poundage figure of 36.8p has already been announced for Wales.

The latest figures confirm that factories and warehouses will, on average, see reductions in rate bills everywhere except in inner London. Shops and offices, on the other hand, will attract higher bills in most areas except in the north of England and the Midlands.

Overall, once the five-year transitional period is completed, the rate burden on businesses in the north and Midlands will be reduced by about £930m in real terms.

However, the latest evidence from opinion polls is that many businessmen have little idea of the impact of the UBR, and many will get a nasty shock. Many rate bills, particularly for small shops in city centres, will rise by well over 100 per cent, and retailers in central London, particularly, will suffer.

Draft rating lists giving details of the revaluation have been sent by the Inland Revenue to all local authorities. They will be available for public inspection as soon as practicable, either in town halls or in local valuation offices.

The transitional arrangements will give business ratepayers time to adjust to the new rate bills.

They will ensure that for most properties – those with a new rateable value of below £15,000 in London and £10,000 elsewhere in England and Wales – any increase will be limited to 15 per cent of the previous year's bill in real terms. For larger properties, the increases will be limited to 20 per cent.

To keep the yield broadly the same, those limits on increases will be matched by limits on rate reductions. These have been set at 15.5 per cent for most properties and 10.5 per cent for larger properties in 1990-91 and at 18 per cent and 13 per cent the following year.

Mergers body rules out ferry service link

By Kevin Brown, Transport Correspondent

SEALINK and P&O European Ferries were yesterday refused permission to operate a joint ferry service before the Channel tunnel opens in 1993.

The Monopolies and Mergers Commission said such a service would operate against the public interest by increasing fares and reducing the quality of service.

The ferry industry had expected the Government to approve the proposal to help to maintain competition with the tunnel.

Mr Nicholas Ridley, the Trade and Industry Secretary, said the two companies could submit a further application to the Office of Fair Trading when traffic started running through the tunnel.

The two companies had hoped to bolster their competitive position, however, by achieving significant economies of scale in the next three years through the joint service.

The announcement will be welcomed by Eurotunnel, the Anglo-French Channel tunnel group, which is negotiating loans of more than £1bn from its bankers to cover escalating construction costs.

It came as a blow to Sea Containers, the Bermuda-based parent company of Sealink, which is fighting a hostile takeover bid from Tiphook, the UK container and trailer rental group, and Stena, a private Swedish ferry operator.

Sea Containers said it was disappointed by the ruling, and hinted that fares might have to rise to pay for new ships on the Channel, including two "jumbo" ferries being refurbished at a cost of £50m.

The group contrasted that with its undertaking to the Commission that fares would not have risen by more than the rate of inflation if the joint service had been allowed.

Sea Containers said the ruling left it free to negotiate a scheduling agreement with P&O, which would co-ordinate sailing times without harmonising prices.

P&O European Ferries said the Commission's decision was surprising. "It does not affect P&O European Ferries' previously stated objective to provide a first-rate, competitive alternative to the tunnel," the company said.

Goals for a commercial railway

Kevin Brown reviews BR's progress under the corporate plan

THE Government's announcement of fresh three-year objectives for British Rail, amplified in the corporation's five-year business plan, brought predictable howls yesterday from the Labour Party and railway trade unions.

The headline figure – a cut of about 30 per cent in central government subsidies to £345m – brought little griping from BR managers, most of whom welcome the stability the system of three-year objectives has given to the railway since its introduction in 1983.

"We not only know where we are going, but, through the commitment to action plans by managers responsible for their achievement, we also know how we are going to get there," says Sir Robert Reid, BR chairman. "The plan is therefore a practical basis for action and not a theoretical desk exercise."

The objectives system is part of a deal reached with the Transport Department by Sir Robert at the beginning of his six-year spell in office, which ends in April.

The agreement was that the Government would set tough targets for BR, involving a steady reduction in subsidies, in return for letting the corporation's managers get on with running the railway, free of Civil Service and ministerial interference.

In practice, senior managers say it has not worked quite like that, since ministers still have to approve any investment of more than £5m, and are tempted to interfere with fare rises on political grounds.

Mr Cecil Parkinson, the Transport Secretary, recently forced BR to reduce next year's average fare increase and delay it by a month.

None the less, the system does mean that BR does not have to go cap in hand to the Government every year, and that it has been increasingly able to identify areas that require the subsidy known as the Public Service Operating (PSO) grant. That has been done partly through decentralisation of the railway into five business sectors, with the long-term aim of isolating those parts of the corporation which will always need taxpayer support.

The trend will be accelerated shortly when the sectors are each given their own balance sheets.

The effect will be to establish the sectors as virtually autonomous units, and to provide an accurate picture of the financial performance of each. Decentralisation also means that the effect of the Government's objectives will vary.

InterCity, the flagship express service, ceased to be eligible for PSO nearly two years ago, and made a profit of £26m last year on a current cost accounting basis before interest. Under the new objectives, InterCity is required to increase its profit to £95m, equivalent to an increase in return on assets from 1.3 per cent to 4.75 per cent (restated for accounting changes.)

BR says savings from higher productivity, technological improvements and a 7.5 per cent increase in demand mean that fares will not have to rise dramatically, although they will "relate to what the market will bear."

Network SouthEast, which operates London commuter services and some long-distance routes, is expected to receive about £90m in PSO for the current year – and will have to break even by 1992-93, when it will lose all grant income. BR is counting on an increase in demand of 4 per cent a year to restrict fare increases to 2.5 per cent a year in real terms.

Freight is expected to increase this year's forecast profit of £22m to £50m by 1992-93, and the Parcels sector is required to move from losses of £17m to a profit of £9m.

If those targets are achieved, the Provincial sector, which operates all passenger services outside the SouthEast and InterCity networks, will be the only part of BR still receiving PSO by 1992-93. Provincial is required to cut its PSO grant from about £400m this year to £345m. That is regarded by most BR managers as an irreducible minimum, although the sector also receives about £80m a year in subsidies from local authorities for specific services.

The overall effect would be that BR's operating profit would increase from £19m last year to £247m in 1992-93, rising to £508m after asset sales of £261m. The improved financial performance would help to finance investment of £6bn over the next five years – twice the level of the last five-year period – which BR hopes would help to justify higher fares by improving quality.

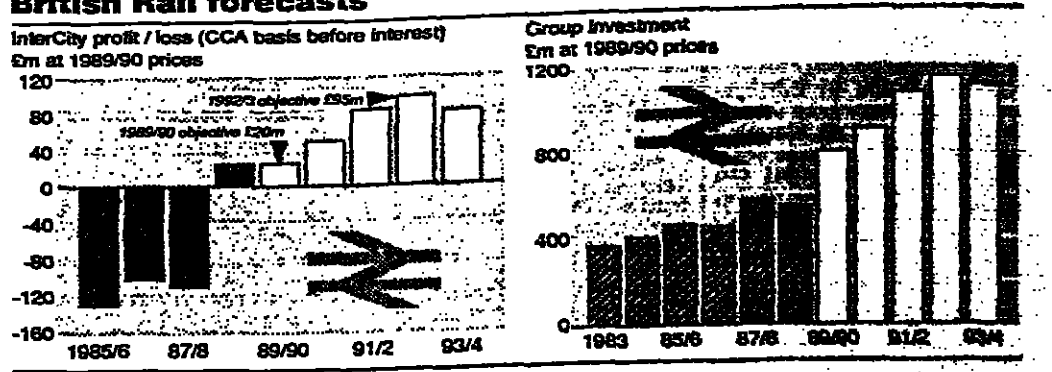
The plan overall appears to make BR very vulnerable to fluctuations in the economy. Recession could have a devastating impact on transport demand, and therefore on cash flow. The corporate plan assumes overall growth in the economy of 2.7 per cent, which looks optimistic beside the Chancellor's autumn forecast of a 1.25 per cent rise in gross domestic product next year.

The Freight business also faces serious difficulties when the electricity supply industry is privatised. The sector's profitable coal-carrying contracts will have to be renegotiated.

There are other uncertainties, too. BR will face a large bill for safety improvements flowing from the deaths of 35 people in the Clapham disaster a year ago. Spending of about £250m has been built into the corporate plan, but the eventual bill is likely to be much higher, and may have to be funded by extra borrowing or fare increases.

In spite of the obvious shortcomings of the railway, senior managers remain proud of their record in reducing subsidy requirements from a peak of £1.1bn (at today's prices) in 1983. The danger remains, however, that a recession would drive up losses again, and show that the objective of a commercial railway remains a dream.

British Rail forecasts



MPs warn Major of recession

By Peter Norman, Economics Correspondent

MR JOHN MAJOR, the Chancellor, is walking a tightrope between recession and continuing inflation, with the balance of risk moving in the direction of recession, an all-party Commons committee warned yesterday.

Mr Terence Higgins, chairman of the Treasury and Civil Service Committee, presented a critical report on the Government's economic policy and 1989 Autumn Statement. He said government forecasts of low 1.25 per cent growth next year were surrounded with "more uncertainty than ever before."

Because the Treasury had underestimated the growth in demand in recent years, the committee was concerned that it may now be underestimating the slowdown. "It may be that higher interest rates may have a very substantial effect in a downwards direction . . . and a dramatic effect on the high streets," he said.

In its report, the committee:

- Called on Mr Major to consider steps in his March Budget to prevent high interest rates from causing a collapse in industrial investment;
- Urged the Chancellor to give more attention to the strong expansion of broad money in the economy;
- Criticised the Government's policy of buying gilt-edged stock to offset the effects of the budget surplus and recommended reconsideration of present guidelines for managing the national debt;
- Argued that the use of currency intervention to sustain a firm exchange rate for the pound was "unsatisfactory;"
- Branded as a "retrograde step" the Government's new presentation of public expenditure plans which makes unclear the details of local authority expenditure in departmental spending programmes.

The committee criticised the Treasury's past failure to forecast inflation. Noting that the Autumn Statement projects a 3 per cent inflation rate in three years' time, it said: "Repetition in the face of failure has not added credibility to this forecast." It called for the Treasury to be given more resources to improve Government statistics.

The MPs said the current-account balance-of-payments deficit, which the Government has forecast at £20bn this year and £15bn in 1990, "clearly gives cause for concern."

Although the committee said the decline in the deficit might be faster than forecast if private borrowing declines and imports fall, it warned that the required current account adjustment "will not be painless."

The report welcomed the Government's use of the sterling exchange rate as an indicator rather than a target in economic policy.

Treasury and Civil Service Committee, First Report, The 1989 Autumn Statement. HMSO. £13.

Annual GDP rise slows to 1.9%

By Patrick Harverson, Economics Staff

BRITISH company profits fell during the summer and consumer spending remained stagnant as the economy slowed further under the pressure of high interest rates, official figures indicated yesterday.

Only the continued recovery in North Sea oil production prevented overall economic activity from coming to a virtual halt between July and September.

The Central Statistical Office said its average measure of gross domestic product was 0.5 per cent higher in the third quarter than in the previous quarter, and 1.9 per cent higher than the same period a year ago, the slowest annual growth rate for almost five years.

GDP rose by just 0.2 per cent in the last quarter, excluding the recovery in oil production after last year's accidents in the North Sea, the figures show.

It is the third consecutive quarter when economic growth has been almost flat.

The CSO said that gross trading profits for UK companies fell nearly 5 per cent between July and September. There was an even sharper fall in the annual rate of corporate profits growth, which was only 2 per cent higher in the third quarter than in the same period in 1988.

That compares with annual profits growth in the previous two quarters of 18.6 per cent and 17.5 per cent.

The high cost of borrowing has squeezed the profit margins of manufacturers because of sluggish domestic demand and the slowdown in general economic activity. Depressed consumer spending remained a significant factor behind the poor growth in the non-oil economy in the third quarter.

Consumer spending was little changed between July and September as in the previous three months, and 4 per cent higher than a year earlier.

Total fixed investment was unchanged in the third quarter, and 3.5 per cent higher than in the same period last year. Manufacturing investment fell between July and September, but remained over 7 per cent higher than a year ago.

Stock building rose sharply in the third quarter. The value of stocks held by British companies climbed by £858m to nearly £1.5bn.

BSB backers likely to inject extra £150m

By Raymond Snoddy

FOUR big shareholders in British Satellite Broadcasting, the five-channel satellite television venture scheduled for launch in the spring are likely to agree to inject a further £150m into the project next month.

If the injection of funds goes ahead, it will signal the beginning of a multi-million-pound battle between BSB and Mr Rupert Murdoch's Sky Television, which has been broadcasting four channels since February.

The four shareholders have been asked to put up the money. They are Granada, the television and leisure group; Pearson, the publishing and industrial group which owns the Financial Times; Reed International, the international publisher; and Chargeurs, the French transport group.

The aim is to ensure the future financial stability of the project. BSB investors, including Mr Alan Bond's troubled Bond Corporation, have already committed £423.55m. Now a similar amount will probably have to be put up if the project is to be viable.

M0 still above target range

By Simon Holberton, Economics Staff

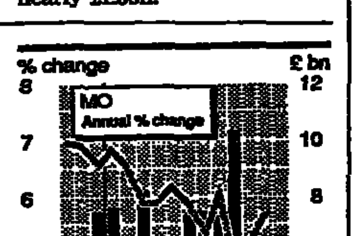
LENDING BY banks and building societies was subdued last month but the Treasury's monetary barometer, M0, continued to grow outside its target range, official figures released yesterday showed.

The Bank of England said that lending amounted to £4.9bn in November, down from £5.2bn in October, and well down on the £7.6bn monthly average recorded over the past six months.

In a separate release, clearing banks' figures suggested that borrowing was relatively subdued.

M0 rose 0.6 per cent, after adjustment for seasonal variations, to stand 5.7 per cent higher than November last year. That is still well above the Treasury's 1 to 5 per cent target range set for the 1989-90 financial year.

Signs indicate, however, that M0 growth – considered a good indicator of economic activity – may be moderating.



Barlow Clowes advisers face writs

By Richard Waters

WRITS AGAINST advisers involved in the Barlow Clowes affair could be issued within a month, it emerged yesterday.

Such legal action will be the only route open to the Government to recover as much as £100m of the £150m of taxpayers' money that is to be paid out in compensation to Barlow Clowes's 18,000 investors.

Mr Michael Jordan, of Cork Gully, one of the joint Barlow Clowes liquidators, said a decision would be taken "early in the new year" about whether or not to sue any third parties involved in the investment group, such as lawyers and accountants.

The liquidators have yet to complete their investigations into the possible claims. However, a task force set up more than a year ago to assemble cases against those with a potential liability, is thought to have completed much of the work.

It is understood that the liquidators sought counsel's opinion in the autumn on the question of whether or not some of the advisers involved owed a "duty of care" to investors. Unless such a duty can be established, there would be no case to answer.

By taking over the rights of investors, the Government will have the right to sue in investors' names, rather than on its own behalf.

Among those whose role in the affair has been investigated are the accountants Spicer & Oppenheim (formerly Spicer & Pegler) and lawyers Herbert Smith. Those firms gave assurances in 1985 that were instrumental in the Department of Trade and Industry granting Barlow Clowes a licence to trade.

Spicer claims that the DTI failed to appreciate the limited nature of its "audit" of investors' funds, while Herbert Smith says that assurances it gave were in fact given to it by Barlow Clowes directors, and that DTI officials had no right to regard them as assurances given by Herbert Smith itself.

Others whose involvement might lead to a writ include Midland Bank and Lloyds Bank, and the advisers at the time of Barlow Clowes' reverse takeover by James Ferguson Holdings.

Insurer wins asbestosis claims action

By Raymond Hughes, Law Courts Correspondent

ORION Insurance Company has won a High Court action in which it is claiming a minimum of $12m (£7.5m) in contributions from Sphere Drake Insurance in connection with insurance claims by asbestosis victims.

Mr Justice Hirst yesterday ruled in Orion's favour on a dispute over a 1975 agreement about the companies' respective liabilities under insurance pool arrangements first entered into in the early 1950s.

The amount Sphere Drake will have to pay as a result of the ruling that it has a continuing liability will be decided at a later court hearing. Sphere Drake may appeal.

The judge said that in 1953 and 1954 three insurance companies – Orion, Sphere and Drake – entered into pool agreements under which Orion was to act as sole underwriting agent for the other two.

In 1965 the pools were struck by two catastrophes: Hurricane Betsy and, more seriously, asbestosis claims, mostly in the US, which only became apparent in the early 1980s.

Sphere got into financial difficulties that resulted in its being acquired in 1966 by Alexander Howden (Holdings). When Sphere and Drake (which later merged) both withdrew from the pools, the critical question arose of who would carry on Sphere's continuing liabilities.

Prolonged negotiations led to an agreement in April 1975, under which Orion and Sphere Drake each accepted financial responsibility for the run-off of its own business from December 31 1974. The judge said that the status of that agreement was central to the litigation. Sphere Drake contended that it was legally binding, settling once and for all the parties' liabilities in relation to the pools.

Orion contended that it had been a non-binding "goodwill" agreement, that the pool arrangements still stood and that Sphere Drake therefore had to continue contributing to payments made by Orion.

The judge concluded that Orion had proved that the agreement was not contractually binding. He said Mr Leslie Sage, a director and general manager of Orion until he retired in 1980, had been able to judge the pros and cons of Orion's entering into a binding agreement.

Cash boost for low-cost housing

A BIG INCREASE in the number of low-cost homes to be built in the next three years was announced yesterday by Mr Michael Howard, Housing Minister.

He said the number of new homes completed with funds from the Housing Corporation in 1992-93 will reach 38,500, well over twice last year's total. Extra resources would be better targeted on areas of greatest need.

The programme, based on a doubling of the Housing Corporation's gross capital expenditure over the next three years to £1.7bn in 1992-93, should enable a total of 43,000 new homes to be available for rent and low-cost home ownership.

Tunnel fire warning

THE British Safety Council and the Fire Brigades Union have urged the Government to stop Eurotunnel, the Anglo-French Channel tunnel group, from carrying cars and passengers together in shuttle trains.

The appeal followed a ruling by the Intergovernmental Commission, the safety authority for the project, that Eurotunnel need not segregate most types of vehicles from their drivers and passengers.

The council and union said experts say non-segregated trains posed a serious fire risk. Mr Dave Matthews, FBU safety officer, said the tunnel could become "the longest crematorium in the world."

Belfast finance deal

THE biggest bank financing deal yet for Northern Ireland property development was signed in Belfast yesterday.

An international consortium of bankers has entered into an arrangement with John Laing Developments, developer of the £60m CastleCourt shopping centre in the city.

The banks are Bank of Tokyo, Ulster Bank, Bank of Ireland, Bank of Scotland, Bank of Nova Scotia and National Bank of Australia.

Severn bridge tender

Two consortia have been shortlisted by the Transport Department for a contract to build a second bridge over the Severn, Mr Cecil Parkinson, Transport Secretary, said. He is to decide in the new year between a consortium of John Laing and GTM Entrepose, and another comprising Trafalgar House and Balfour Beatty.

Insurance posting

Mr Alan Clifton, managing director of RBC Dominion Securities International, is to be the new chief executive of Commercial Union Asset Management, one of the main investment management arms of the composite insurance group Commercial Union.

Green bill forms framework for action against pollution

The Government's plans to clean up the environment include power of closure and unlimited fines, says John Hunt

PROPOSALS to reduce pollution, including unlimited fines for the worst offenders and powers to close industrial plants that breach the regulations, are contained in the Environmental Protection Bill, published yesterday.

It proposes powers to prevent the import and export of toxic waste. It suggests keeping local registers so that the public can know when a plant is creating pollution. It would also create tough regulations to control litter.

The green bill – as it has become known – is the first wide-ranging legislation in this area since 1974. It implements the Government's system of integrated control under which Her Majesty's Inspectorate of Pollution will investigate all forms of pollution of air, land and water.

That will apply to about 2,000 large plants that are potentially the most polluting. Smaller plants will be dealt with by local authority environment officers.

Provisions on toxic waste could prevent repetition of last year's Karin B incident

Under integrated pollution control, large plants such as factories, power stations and refineries will have to obtain a "consent" for emitting polluting substances. Such consents will lay down strict conditions.

Plant operators will have to use "the best available technology not entailing excessive cost" in order to keep pollution to a minimum.

That is tougher than the present standard.

A new "duty of care" will be imposed on companies, making them legally responsible for hazardous or toxic waste they produce. Companies that have not taken due care will be liable for mishaps occurring when the waste has left their plant and is being transported or disposed of.

Breaches of this legal obligation will be a criminal offence and fines can be imposed.

Inspectors will be able to order a company to clean up a site it has polluted. As a last resort, the offender could be taken to court and the plant closed down.

In the past, when a waste dump has become badly contaminated, an operator has been able to surrender the licence and leave the site in that condition.

That will no longer be possible.

The Environment Secretary will have the power to prevent undesirable imports or exports of hazardous waste. Powers will be used in extreme circumstances and could prevent an incident like that of the Karin B ship, which last year tried to bring in toxic waste that had been dumped originally in Nigeria.

In the disposal of domestic waste, the "poacher and gamekeeper" role of the local authorities will be abolished. At the moment, waste disposal authorities, controlled by county councils, regulate waste and also run their own waste sites.

Under the bill, the two functions will be separated. The waste disposal authorities will be replaced by waste regulation authorities, which will only have a policing role. Disposal will be carried out by waste companies run at arm's length by councils, competing with the private sector.

Councils will have a duty to promote recycling, and it is intended that a quarter of the rubbish in the UK will be recycled by the year 2000.

There will be increased fines for dropping litter, and councils can be taken to court if they persistently fail to clear it up. In addition, local authorities will be able to impose litter regulations on places such as supermarket car parks and station forecourts.

The legislation brings together a wide variety of unconnected measures that have accumulated on the environmental front over the past decade.

A particularly contentious proposal is the splitting of the Nature Conservancy Council into three separate bodies for England, Scotland and Wales. That is expected to meet strong opposition in both Houses of Parliament.

Other proposals cover the control of genetically manipulated organisms and an end to Crown immunity for the storage of radioactive materials.

Straw burning in farmers' fields will be banned from the end of 1992.

UK NEWS

Big banks pull out of student loans scheme

By Jimmy Burns, David Lascelles, and Alison Smith

THE Government's controversial student loan scheme yesterday suffered a *potentially* irreversible setback when five leading British banks announced that they were withdrawing from it on commercial grounds.

The Education Secretary, Mr John McGregor while expressing "regret" at the banks' decision, said that arrangements were being made for the central administrator of the scheme, the Students Loans Company, to pass into the ownership of the Government so as "to ensure continuity in the necessary preparations".

Under the Government's original scheme, students loans were to be introduced from next September when undergraduates were to be able to top up their grants by borrowing £420 from most of the major banks. The loans element was to be introduced gradually until it accounted for 50% of the students' income.

However banks had come to doubt whether they stood to make any money from administering the scheme.

Government officials last night were insisting that a "closer relationship" between the company and the students, possibly through a direct debit mechanism, would prove less costly in the short-term but they were unable to detail exactly how they plan to administer the scheme.

Meanwhile in the House of Commons, Mr Jack Straw, the opposition Labour education secretary said that participation of the banks was "absolutely central" to the administration of the Government scheme which he said was now in "total ruins."

The decision by Barclays, the National Westmintster Bank, the Midland Bank, the TSB, and the Royal Bank of Scotland to pull out followed an intense campaign against the scheme organised by the National Union of Students which had largely succeeded in dwarfing counter action among Government supporters.

Takeover Code changed to protect shareholders

By Nikki Tait

BRITAIN'S Takeover Panel, the UK watchdog on bids and deals, yesterday issued four amendments to the Takeover Code, designed to give shareholders greater protection when members of management bid for an entire quoted company.

Management buyout bids have been the subject of considerable controversy over the past eighteen months.

The issue centres on the fact that management is inevitably in a privileged position with regard to up-to-date information about the company.

The Panel is now making four Code amendments. These state:

- The target company's board should appoint an independent adviser as soon as possible, and stresses the importance of the role;
- The bidder should promptly supply the independent directors and their advisers with all the information which has been made available to the management team's financing backers (or potential backers);
- The information which *should be available to any* other potential bidder should be "that information generated by the offeree company which is passed to the external providers of finance". The mbo team should co-operate with the independent directors in assembling this information.
- A director will be viewed as having a conflict of interest and should not, therefore, express views on the offer - if he has any continuing role (executive or non-executive) in the bidding vehicle or the target company once the offer is successful.

Workers at Ford vote for strikes over pay

By Michael Smith,
Labour Correspondent

UNION LEADERS at Ford, the vehicle manufacturer, said yesterday they were considering calling strikes in the second week of January after they announced that manual workers have voted by four to one in favour of staging stoppages.

They said they were available for talks with Ford but warned that the company would inevitably face a strikes campaign if it did not change its "final and non-negotiable" pay offer.

In the ballots, which took place on Monday and Tuesday, 20,343 of Ford's 32,000 manual employees took the advice of union leaders and voted in favour of strikes, and 4,727 were against.

The size of the majority will worry government ministers, who are campaigning against high pay offers as part of their fight against inflation. It will also cause concern for hundreds of companies who use the Ford settlement as a benchmark.

Ford's offer - 9.5 per cent in the first year of a two-year deal, and inflation plus 2.5 per cent in the second - is already higher than other recent settlements.

However the unions are looking for a rise of at least 10 per cent and are angry that the company has failed to respond to their demand of a cut in the 39-hour week.

Mr Jack Adams, lead negotiator for the TGWU general workers' union, said yesterday that Ford was extremely profitable and had made more than £1.4bn at the pre-tax level in the last two years. "We are not prepared to accept sub-standard wages and conditions from a company like that."

Mr Jimmy Airlie, lead negotiator for the AEU engineering union, said the unions wanted a negotiated settlement but it was up to the company to approach them.

In the ballots, all 21 plants were in favour of strikes. Majorities varied from 62 per cent to 96 per cent. A typical lineworker at Ford earns £226 for a 39-hour week.

THE AMBULANCE DISPUTE

Breakaway union rejects pay settlement

By Fiona Thompson, Labour Staff

ANY resolution to the increasingly bitter ambulance dispute appeared bleak last night after the breakaway Association of Professional Ambulance Personnel (APAP) rejected by two to one the Government's 9 per cent, 18-month pay offer.

The result put paid to hopes held by Mr Kenneth Clarke, Health Secretary, of using a yes vote by the association to split the country's 22,500 ambulance workers in an attempt to end the 14-week dispute.

Mr Clarke only gave APAP negotiating rights less than three weeks ago, after the five TUC ambulance unions rejected the 9 per cent offer. Had the association followed its executive's recommendation and accepted the offer, the likelihood is that the award would have been imposed throughout the country.

The APAP vote was 1,413 against acceptance and 661 for, in a 47 per cent turnout, although the TUC unions claim that APAP does not have the 4,900 members it asserts.

Mr Roger Poole, the chief trade union negotiator, said the Government's last card had collapsed just as dramatically as APAP's membership.

He called on Mr Clarke to immediately resume negotiations "with the real trade unions who represent the vast majority of ambulance personnel."

Mr Clarke said he was disappointed that the offer, which in his opinion was "fair and reasonable", had not been accepted. What happened now "was up to the unions." He said it was quite unreasonable to pursue a claim for 11.4 per cent and a link to firefighters' pay.

"I am not prepared to ask the NHS management to close wards and cut back patient services to meet such a claim."

Mr Clarke said there was no point in Roger Poole asking for weekly meetings "when he merely repeats the same things he said 2½ months ago."

Mr Richard Kirlew, national secretary of APAP, said he had asked the Department of Health for further talks, in the light of yesterday's rejection and the association's ballot last month which gave a five-to-one vote in favour of limited industrial action.

The Department of Health said last night it was considering the request for a meeting.

A telephone opinion poll of 1,008 adults interviewed last weekend showed that 72 per cent thought key public service workers should be allowed to take industrial action over pay. Seventy-seven per cent supported ambulance workers petitioning and collecting money in the streets.

Underground rail users face higher fares in London

By Kevin Brown, Transport Correspondent

OPERATING subsidies to the London Underground are to be phased out over the next four years, Mr Wilfrid Newton, chairman of London Regional Transport, the state-owned transport holding company, said yesterday.

The announcement heralds substantial increases in fares for Underground passengers, who are already facing a 10 per cent rise in February.

Mr Newton's plans for the Underground are spelt out in an LRT document which acknowledges that travel in London is "more costly, less predictable and more disruptive to life in the capital than it should be."

The broad strategy for the Underground is to improve standards through investment in better services "which passengers want and would be willing to pay more for."

The report acknowledges that this will require more funds than can be raised through increased fares, and suggests that new Underground lines will have to be paid for by the Government.

However, the report says "modest annual real increases in fares" will both "moderate" increasing demand, and help provide funds for investment of £3bn over five years in renovating existing lines.

The target for the Underground is to achieve operating profitability in 1993/94 - defined as covering all its direct costs plus depreciation. By the end of the five year plan, in 1994/95, Mr Newton wants to see passengers paying for around half the capital expenditure programme as well.

The report says higher fares are essential to overcome the problems caused by low investment in earlier years, and a 72 per cent increase in demand since 1982.

Mr Newton's strategy is likely to bring LRT into conflict with the cross-party parliamentary transport committee, which said earlier this year that the use of the price mechanism to reduce demand was unjustified.

Ms Joan Ruddock, a Labour transport spokesman, said LRT's plans to improve services were welcome. But "the Government's stubborn refusal *to provide adequate subsidy for* our public transport system, unlike any other European capital city, means commuters will end up footing most of the bill," she said.

Interest rates policy knocks plans for UK factory investment

By Simon Holberton, Economics Staff

THE GOVERNMENT's policy of high interest rates has knocked manufacturers' investment plans, and growth in investment spending by British industry is expected to fall sharply next year.

The Central Statistical Office said its survey of investment intentions indicated that the volume of manufacturing investment, including leased assets, is expected to rise by 1 per cent next year after a 9 per cent rise this year.

At the same time the CSO released figures about the economy's performance in the July-September quarter of the year. They showed gross domestic product growth of ½ per cent compared with the previous three months and 2 per cent up on a year earlier.

However, the figures, which showed a near 5 per cent fall in company profits in the third quarter, indicated that there was little growth in the economy if the North Sea oil and gas industries are excluded.

The Bank of England also reported yesterday *a fall* in bank and building society lending to £4.9bn last month from £5.2bn in October. Growth in M0, the Treasury's targeted monetary indicator, accelerated from 5.2 per cent in October to 5.7 per cent last month.

Yesterday's figures for investment next year are consistent with other recent data on the economy suggesting that next year is going to be one of slow growth. Growth in expenditure by consumers is expected to slow.

The value of total investment in manufacturing this year, after allowing for inflation, is expected to be £12.3bn - a record. For the past two years maufacturing investment has exceeded the previous record level of investment which occurred in 1979.

In the coming year the CSO estimates total investment volume will be £12.5bn, of which £10.7bn is direct capital investment and £1.78bn is in the form of leased assts.

This projection is sensitive to the CSO's inflation assumption for 1990; however, it would not provide the estimate.

City analysts said they were encouraged by the projection of a 1 per cent rise in investment next year. They noted that it was generally expected by private analysts that investment could fall next year.

Annual GDP rise slows, Page 6.

Concern over 1992 fuels fax swindle

By Ian Hamilton Fazey

COMPANIES are receiving invoices for entries in bogus fax directories as swindlers reactivate computerised mailing lists to take advantage of Christmas.

Fraudsters try to take advantage of senior managers' holidays, hoping that junior staff with little experience will pay spurious invoices posted from continental Europe for proposed entries in non-existent directories.

At least eight bogus fax or telex directory operations came to light in the summer. "Invoices" from three swindlers have been delivered in the past week. They are identical to some received in August, except that the date has been changed to December 1.

Ms Jocelyn Jackson-Matthews of the Association of British Chambers of Commerce said fraudsters were also exploiting concern among companies about their preparedness for the European single market after 1992.

Ms Jackson-Matthews said: "They say companies need to subscribe to their directories to widen their European exposure. There is a danger of managers falling for this without thinking."

Two thousand bogus invoices were referred to the association's London offices in the first eight months of 1989.

Ms Jackson-Matthews said many companies had paid, unaware that there could be no enforceable contract since all the "invoices" were illegal.

Police estimate that the fraudsters' return is between 2 and 5 per cent of mailed-out "invoices."

To make prosecution difficult, fraudsters prepare mailing lists in one country and post them from a second country to where the swindle is being attempted.

One of this week's attempted swindles involves "invoices" posted in Rotterdam for a directory allegedly published in Appenzell, Switzerland, where the money has to be sent.

An operation centred in Dublin comes in envelopes posted in Finland.

BUSINESS LAW

Bondholder suits in the US

By Leo Herzel and Richard W. Shepro

BONDHOLDERS GENERALLY see themselves as one of the big losers in highly leveraged acquisitions and recapitalisations. On the other hand, institutional bondholders have also been large gainers as target shareholders in these transactions.

Despite this, a few large institutional bondholders have been sufficiently troubled by price declines in their bonds to sue the issuers. Two recent cases have been decided summarily against the bondholders.[1] Whether institutional bondholders ultimately win or lose these cases is less important than that they were willing to bring them.

A very short time ago, these bondholder suits would have been unthinkable. Institutional investors were a very important part of the solid consensus in the US behind the boom in takeovers and leveraged buy-outs. Their aggressive quest for short-term profits on the equity side helped to promote the kind of transaction attacked in these cases.

Hartford Fire Insurance Company sued Federated Department Stores and its former officers and directors over the sale of Federated to the Canadian Campeau company. Hartford had bought $25m worth of Federated notes in October 1987. Three months later Campeau began its hostile bid. After several weeks of financial and legal skirmishing with the target and its white knight, R H Macy & Co, Campeau emerged as the winner of the auction.

Relying on the anti-fraud provisions of the federal securities laws, Hartford argued that when Federated issued the notes it should have disclosed that it was a candidate for a potential takeover and also that its chairman had been considering a leveraged buy-out of his own.

The court found these omissions immaterial, applying the very general disclosure standards announced by the US Supreme Court last year.[2] The plaintiff had not even alleged that Federated had anticipated any particular offer or had taken any steps towards a sale, and the chairman's plan was never more than a dream. Moreover, there had been frequent speculation in the financial press that Federated was a takeover.

Hartford's most interesting legal theory was that Federated had violated an "implied covenant of good faith and fair dealing" in the notes. In support of this theory Hartford argued that it had understood it was buying "conservative, low-risk notes in a financially sound and secure company" committed to long-term growth. Actions that would alter the character of the company should not be permitted. However, since the indenture governing the notes expressly contemplated mergers, the court concluded that adoption of Hartford's argument would give it a windfall contractual protection.

Metropolitan Life Insurance sued RJR Nabisco over a similar set of facts. However, there were two differences — one favourable to MetLife and one not. The RJR leveraged buy-out by KKR began with a proposal for a leveraged buy-out by its chairman, Ross Johnson.[3] As a result the company's management may have had more concrete information earlier and arguably the company was more responsible for the leveraged buy-out than Federated who had been the target of a surprise bid. On the other hand, MetLife was a longstanding bondholder who could not claim it had recently been misled to buy the bonds.

MetLife urged the same implied covenant theory as Hartford. RJR, MetLife contended, had frequently assured its bondholders that it would strive to maintain its high credit rating. However, the judge took a dim view of the implied covenant theory. He noted that MetLife was among the most sophisticated financial institutions in the country. A sophisticated bondholder, he implied, should not rely on informal assurances.

Moreover, in 1985 MetLife had voluntarily exchanged some RJR bonds that contained explicit debt limitations for bonds without these restrictions and internal MetLife memoranda had discussed the vulnerability of public bondholders to high leverage.

The mere existence of these cases is illustrative of a new sour point of view about takeovers in influential US circles. Economists provided the intellectual backbone and rhetoric for the takeover boom. Now they are beginning to question the most basic assumptions of the old consensus.

Recently, for example, the Massachusetts Institute of Technology Commission on Industrial Productivity said that hostile takeovers and leveraged buy-outs in the US cause "an excessive and dangerous overvaluation of short term profitability."[4]

Harvard Business School professor Jay Lorsch has just published an empirical study of boards of directors. He asserts as axiomatic that: "Choices have to be made between short and long-term *shareholder interests*. Long-term corporate health means considering other stakeholders."[5]

Little more than a year ago these would have been fighting words in advanced business school circles in the US (and in the UK). Typical of old takeovers was the pre-eminence of immediate premiums for target shareholders.

Professor Michael Jensen, now also at Harvard Business School, has been an ingenious theorist, researcher and expositor for the takeover boom. Recently he has begun to distinguish between takeovers by cash-rich public companies (usually wasteful) and leveraged buy-outs, which he argues promote efficiency through the *discipline of leverage* and realistically large incentives for management.[6]

Politicians are also deserting. Not long ago, Congress and the Reagan administration were being looked to for legislation restricting takeover defences. Now the takeover industry considers itself very luck to escape anti-takeover tax law changes.

Suing over past deals sends out important signals of dissatisfaction but otherwise is not very useful. On the practical side, institutional investors are working hard to develop better protections for the future. The most direct way is to insist on more favourable terms to compensate for the risk. However, debt restrictions and other financial tests also are important ideas in this respect. These have long been customary in bank loan agreements and in private debt placements.

Issuers, however, are reluctant to agree to financial restrictions in public debt because they may be difficult to modify or refinance later.

On the other hand, if bank loans need modification the banks have incentives to be co-operative, such as higher interest rates or assurances of more business.

The "poison put" is one device that is being experimented with to protect holders of public bonds against the risk of takeovers and increased leverage. The first poison puts required suers to buy back the debt at the offering price after a hostile takeover.

However, the protection this affords is small because takeover defences such as poison pills and state anti-takeover laws, most hostile bids ultimately become friendly.

Improved poison puts attempt to cover negotiated acquisitions, recapitalisations, leveraged buy-outs and other substantial financial transactions that might leverage the company. Some poison puts do not become effective unless bond ratings go down. Others are triggered merely by an acquisition of a large block of shares by a third party. However, this may create a risk that they could be attacked as an illegal takeover defence.

In the end, we should remember the laws of economics. Bondholders will have to pay a price to obtain these protections. Safer bonds will pay lower rates of interest and there may be fewer of them.

[1] *Hartford Fire Insurance Company v Federated Department Stores, CCH L Rep 94, 744 (SDNY Oct 13, 1989); Metropolitan Life Insurance Company v RJR Nabisco, 716 F Supp 1504 (SDNY June 1, 1989).*

[2] *Basic Inc v Levinson, 108 S Ct 978 (1988).*

[3] *See Herzel & Shepro, "Shareholders and Leverage," Financial Times, January 5, 1989.*

[4] *Dertouzos, Lester & Solow, Made in America: Regaining the Productive Edge, p. 144 (1989).*

[5] *Jay W. Lorsch, with Elizabeth MacIver, Pawns or Potentates, p. 189 (1989).*

[6] *See Jensen, "Eclipse of the Public Corporation," 67 Harv Bus Rev 61 (September-October 1989).*

[7] *See Herzel & Shepro, "Another Step Backwards for US Takeovers," Financial Times June 8, 1989.*

The authors are partners in Mayer, Brown & Platt.

MANAGEMENT: Marketing and Advertising

Lobbying

How Britain's war widows finally won the day

Philip Rawstorne examines the genesis of a campaign which eventually persuaded the Government to increase the entitlement of 53,500 pensioners

The campaign that ended last week with the British Government conceding £40-a-week pension increases to 53,500 war widows was planned and executed with the precision of a military operation.

But the disciplines that combined to win the day were those of public relations, advertising and political lobbying.

After 15 years of unavailing struggle to secure a better deal from successive governments for pre-1973 war widows – whose pensions were less than half those currently granted – Major General Laurie Gingell, general secretary of the Officers' Pensions Society (OPS), this year turned to communications specialists for help.

At the end of January, he was introduced to Citigate Communications, the City of London financial and corporate public relations consultancy.

Gingell, who saw the OPS's 50th anniversary as an opportunity to mount a renewed campaign, delivered a long briefing on the complex problems of armed services' pensions to Citigate on January 30.

"We decided to concentrate on the one, most important issue – equal pensions for war widows – to ensure that the campaign would deliver a single, simple message to politicians, media and public," says Peter Rose, corporate director and former Whitehall press opportunities officer. "We had to avoid any confusion."

That decided, the Citigate team began to plan the campaign strategy. With Jill Cholmondely, a Citigate corporate manager, Rose dug back into the records of government treatment of war widows. "We looked for any precedents that might help the campaign – cases which would enable us to say to the Government: 'You did it once, why not do it again?'"

They found a number of cases to support their argument for equal pensions – including ex-gratia payments to widows of men killed in Northern Ireland before 1973. "Such precedents," says Rose, "were important not only in strengthening our approach but for the justification they offered for a change of mind by the Government – a way of getting off the hook gracefully."

While the digging was going on, Paul Twyman, Citigate's political lobbyist and former civil servant, was sounding out opinion on the issue in Westminster and Whitehall. Successive early day motions in the Commons had shown strong backbench sympathy, but even 351 signatures on the order paper last session had not persuaded the Government to act.

Twyman says: "It was clear that if the campaign was to get anywhere this time, ministers, MPs, peers and civil servants would have to be convinced of a strong groundswell of public opinion demanding government action."

Rather than trying to lobby every MP, Twyman targeted about 100 whom, he thought, would be most receptive and influential. They included ministers and their "shadows", party whips, backbench committee officers, and other backbenchers whose views were generally respected.

"We wanted the campaign to have all-party support, and to focus on the injustice of the widows' treatment. We did not want a government-bashing exercise; that would have been counter-productive," he says.

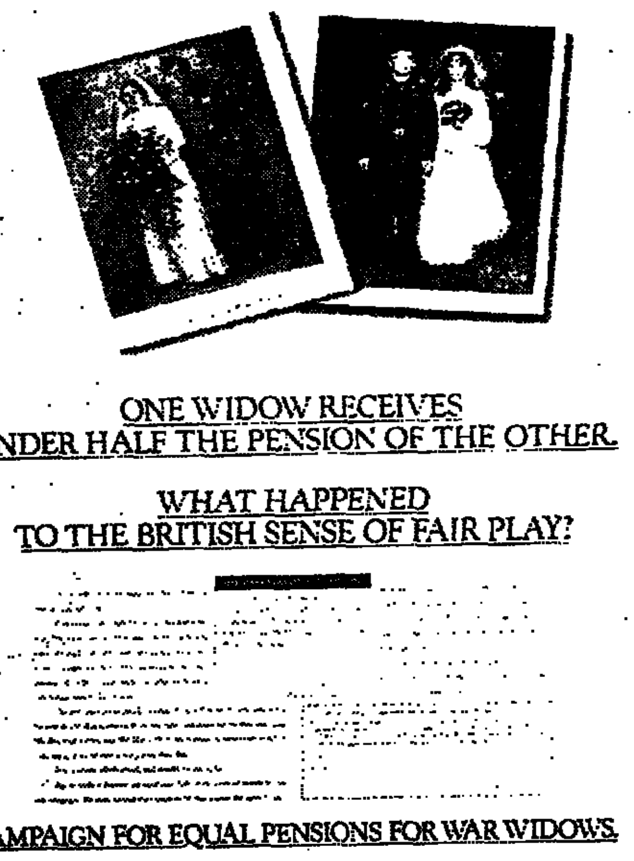
Through the OPS and the Royal British Legion – which with more than 70 other service organisations had by now been rallied in support – Citigate found some 180 war widows, ready to write to the targeted MPs, about their personal plight as constituents. "We had a force of persistent, elderly ladies," says Rose.

Ex-service officers who were members of local Conservative associations were also identified as another point at which political pressure could be applied.

Some four months had now passed in behind-the-scenes preparatory work, and the OPS was eager to take the campaign public.

But the Citigate team wanted more time. Rose, Twyman and Cholmondely had become convinced that the campaign would need to be reinforced by advertising. Extensive public support could not be generated by just a few column inches in the press, they believed.

Michael Rawlinson, of Citigate's advertising division, was brought in to prepare some ideas for presentation to the



OPS whose budget had made no provision for advertising.

Rawlinson says: "I approached the task as if it were the launch of a new brand. The advertising had to create awareness of the problem, explain it, and provide a launch platform from which the PR campaign could operate."

He made his pitch to the OPS early in September – not long after ITN had nibbled at the story in its early evening news. "That gave us evidence of media interest – but also of the difficulty of ensuring wide coverage in competition with other news," says Rose.

The OPS was persuaded that PR alone could not guarantee media space and time. Rawlinson was given the go-ahead for an advertising campaign, coupled with an appeal for public donations towards the £250,000 it would cost.

His first advertisement, planned for full-page display in several national newspapers, featured wedding photographs of two servicemen, one in 1944, the other in 1989.

"Both men died for our country," the headline proclaimed. "One widow receives under half the pension of the other. What happened to the British sense of fair play?"

The advertisement made no reference to the OPS. "We wanted to avoid any suggestion of elitism," says Rose. The campaign was to be for equal treatment for all war widows.

Dame Vera Lynn, the 1939-45 "Forces' Sweetheart", willingly conscripted to the cause, invited donations to the campaign and telephone pledges of support.

Citigate was now almost ready to go public. The date, it was decided, should be Monday, October 30 – close to Remembrance Sunday, when Parliament was again in session, and on a day of the week when news was usually thin.

Letters were still passing to and fro between war widows and MPs – and the Citigate team monitored them, noting reasons given for inaction, and preparing counter-arguments.

Journalists were alerted; and sympathetic MPs of all parties fully briefed. The Whitehall experience gained by Rose and Twyman in helping ministers to answer questions was now put to use in asking them.

In the week before the launch, the MPs put down more than 100 parliamentary questions on the issue to the Ministry of Defence and the Department of Social Services.

Twyman quietly made the Westminster and Whitehall rounds – "leaving no footprints in the snow" – warning of a surge of public feeling on war widows' pensions, and advising those who had the Prime Minister's ear that something would have to be done to satisfy it.

Up to the moment of the campaign launch, he says the response was still sceptical. "They had dealt with this before, and they thought they could see it off again," he says.

Dame Vera launched the campaign at a national press conference, attended by MPs from the four main parties, and 24 war widows. Provincial newspapers were directed to local sources for stories. Next day, countless headlines reported: "Dame Vera goes to war..."

The supporting advertisement became news, earning 90 seconds of national television coverage. The first of a flood of more than 8,000 letters, and donations ranging from £1 to £10,000 began to pour in.

Features and editorials on "The Debt of Honour" reached a crescendo around November 11, Remembrance Day. A poem appeared in the Weekend Guardian.

The Daily Mail began its own campaign on the issue, so did the Daily Mirror, the Daily Star, and The Sun.

Political journalists began to cover the issue in the Commons as a new early day motion appeared on the order paper, signed by 168 MPs in just three weeks.

Citigate, looking for means of sustaining the campaign, found it through the OPS, which recruited the ex-Chiefs of Staff to the campaign. Their letter to The Times, on November 22, appealing for justice for the war widows, gave another boost to the cause.

It stimulated further action in the Lords, where Lord Boyd-Carpenter, a former pensions minister, was leading demands for government action.

Archie Hamilton, armed forces minister, found himself under jeering attack from all sides as he tried to defend the Government's position in a Commons adjournment debate the following day.

Michael Mates, Conservative MP for Hampshire East, signalled his intention to pursue the cause in a private member's bill.

At question time Mrs Thatcher began to betray signs of second thoughts. Apart from the public demands for action, the Prime Minister also received a confidential and carefully drafted aide-memoire from one influential Conservative MP, pointing the way to a solution.

While ministers were still considering what to do, Citigate struck again on December 4, with a second, much more aggressive full-page advertisement in national newspapers. "How Much Is A Man's Life Worth?" it demanded.

Human life was priceless, it asserted. Yet the Government was saying it could not afford just £160m to provide fair treatment for those whose husbands had sacrificed their lives for their country.

Three days later, after a meeting of ministers, Mrs Thatcher sounded the retreat in the Commons. On December 11, just six weeks after the public campaign began, Tom King, Defence Secretary, announced the pension concessions.

The rosy potential offered by 'greys'

David Churchill reports that over-50s are an unappreciated marketing opportunity

Conventional marketing wisdom has it that "grey" consumers are set to become one of the driving forces of consumer spending in the UK the 1990s. Those in the over 50s age group (or over 55 – the threshold in marketing terms for older consumers is variable) already have some £108bn of disposable income to spend on themselves and this figure is set to grow steadily over the next decade.

Most marketers, moreover, are also well aware that the grey consumers of the 1990s will increasingly angle their spending towards leisure pursuits. After all, they will have fewer responsibilities (children having left home), more time (being either retired or approaching retirement), and significant amounts of capital (either from inherited wealth or by benefiting from occupational pension schemes).

All these factors should help fuel leisure markets such as travel, eating out, and participative sports in the decade ahead. Nevertheless, while a substantial amount of market research is already available detailing opportunities in the new grey markets of the 1990s, there are those within the leisure sector who feel that there is still a wide gulf between marketing theory and corporate practice.

"Many leisure operators only pay lip service to the over-50s," believes Ken Andrews, a partner in Leisure Marketplace, a marketing consultancy specialising in leisure topics. "They say that they are targeting the grey market but when you get down to details, there is little sign of them really trying to reach this market sector."

Leisure Marketplace contacted a number of leisure operators throughout the UK – ranging from cinemas and theatres through to sport and leisure centres – and found a general lack of marketing interest in the over-50s.

"One theatre, for example, which said it wanted to reach the older consumer with special concessions did not allow advance booking and expected these customers to queue on a 'standby' basis," says Andrews. Another leisure centre dropped its weekly tea-dance for the over-50s whenever there were school holidays on the premise that children should have priority over the facilities, he adds.

"It does seem that in the opinion of the leisure industry, the older consumers are a concessionary rather than a discretionary market," comments Andrews. "Much of the motivation of leisure operators towards this market appears to be based on a desire to fill up a space, or a time of day, unpopular to all others."

Andrews found that it was hotels that were generally most aware of the potential for the grey market. He singles out Crest Hotels for offering a short-break holiday programme which, he says, "quoted an appropriate, subtly-targeted offer at a discount."

Few signs

Travel is, in theory, one of the key leisure sectors which should benefit from grey consumerism in the 1990s. But, even here, there are few signs that marketers have grasped the initiative.

"There is little evidence that the UK travel trade has fully understood the importance and increased spending power of the older, more prosperous customer in the UK," points out the English Tourist Board, in its marketing intelligence report Insights.

It reports, for example, that the over-50s are increasingly keen to take UK holidays, bucking the general downward trend in domestic tourism. The over-50s also spend more on their holiday in Britain than any other group – £134 per person on average compared with an average for all age groups of £112 per person.

"The over-50s are becoming more prosperous, more adventurous in their holiday tastes, and good customers for off-peak holidays – yet they are still grossly misunderstood by the holiday industry," laments the ETB.

The message, it adds, is that "old does not mean down-market. Being imprecise in its marketing activity could lead the travel industry to make costly mistakes."

TECHNOLOGY

Managing strokes

X-RAY brainscans, rather than the newer technique of magnetic resonance imaging, are the best way of investigating victims of strokes, according to a report from the Royal College of Physicians published today.

The doctors recommend that every district hospital should have its own computerised tomography (CT) X-ray scanner to help the management of stroke patients.

In choosing to investigate strokes, the doctors were influenced by "lack of information about the best use of resources to manage a condition that is estimated to consume well over 4 per cent of the total NHS budget," says Sir Raymond Hoffenberg, chairman of the working party that produced the report.

Although mortality from strokes is decreasing in some nations, including the UK, it still accounts for 10-15 per cent of all deaths.

Most strokes occur either because of a blockage in a cerebral artery, causing brain damage, or from leakage of blood in or around the brain.

The majority survive a stroke but only one-third make a good recovery, so the disease is a major cause of chronic disability and a large contributor to the cost of health-care.

Sir Raymond hopes the report will stimulate more research into important aspects of stroke management, including two drugs, naftidrofuryl and nomodipine, which are claimed to reduce the risk of early death from strokes, but which require more trials.

The doctors find no firm evidence to justify widespread use of intensive care units for acute strokes, but acknowledge such units may help to evaluate new treatments.

They warn that the burden on carers for stroke victims – often family – can be enormous, and recommend that statutory services should ensure that the needs of carers are catered for.

They conclude that, in an ageing population, the residual disability resulting from strokes in the elderly will be a continuing medical and economic problem.

Stroke: towards better management. Published by the Royal College of Physicians, 11 St Andrews Place, London NW1 4LE.£7 00

David Fishlock

Karen Fossli on techniques to increase oil recovery performance

Norway's 'hall of feast'

Five years of strenuous effort, a novel oil well completion technique called gravel packing and advanced drilling technology have all raised the oil recovery performance of the once troubled offshore Valhall field in the Norwegian North Sea.

These factors have helped Amoco Norway, Valhall's operator, to increase the field's total recoverable oil reserves by 23 per cent to 305 million barrels. For Amoco, Valhall may just prove to be the hall of feast, as it is known in old Norse mythology.

The Valhall field was discovered in 1975 and is currently operated by Amoco for a partnership including oil companies such as Enterprise Oil, Amerada Hess and Noco. Production began in 1982

Much of the crude oil in the field has been trapped for thousands of years in a collapsing, chalk reservoir formation. But thousands of manhours of research have now led to the technology that will enable Amoco to extract it.

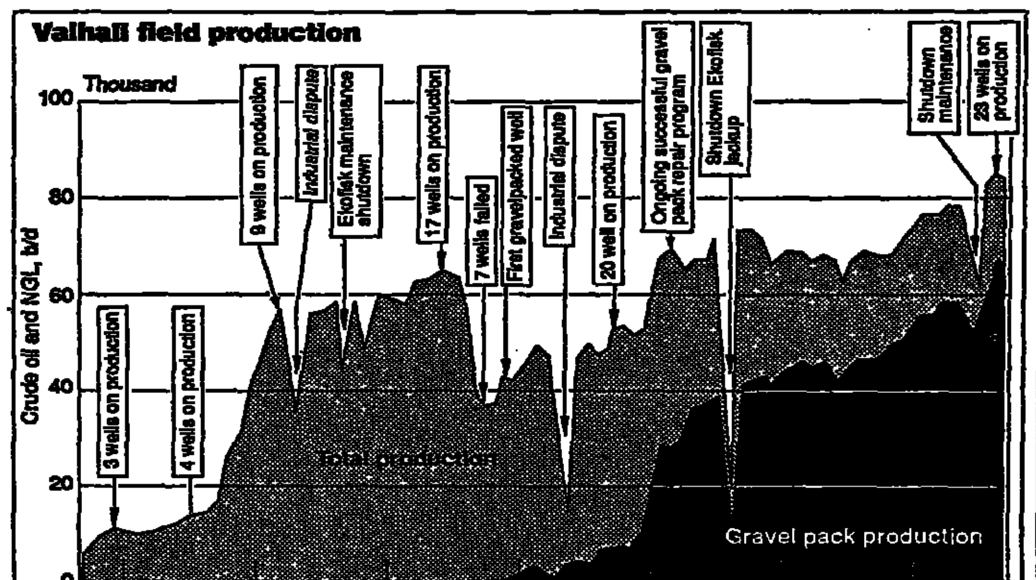
An oil reservoir is a porous sedimentary rock formation, capped with an impermeable layer through which liquids and gas cannot pass. If oil is to flow through the reservoir, there must be a free connection between the pores in the rock. The ability of fluids to pass through the rock (permeability) depends on the size of inter-connecting channels between the pores.

Both porosity and permeability vary throughout a rock formation; consequently, wells in different parts of a reservoir may have widely varying production rates.

In the case of Amoco's Valhall field, the oil is contained in a soft, highly porous chalk formation. This complicates extraction because the rock is of lower strength. The weakness can sometimes result in a collapse, plugging the wells from which the oil flows.

After a few years of production, Amoco discovered that this was indeed happening and chalk was being producing instead of oil. The situation became so serious that the banking consortium which arranged project finance for some of the partners became seriously concerned.

The chalk production problem forced some innovative



thinking by Amoco in designing a well completion strategy for the field. Well completion involves designing equipment to be placed in the well and deciding what treatment will be given to the formation around the borehole.

In order to allow the oil to be produced, the well had to be designed so that the walls of the borehole could be protected against collapse. In addition, the construction had to prevent fluids from other formations flowing into the producing layer and stop oil from the producing layer flowing into other formations via the well.

Oil companies have developed a variety of well completion methods. In this case, Amoco completed the initial Valhall wells by hydraulically levering up a lower and stronger formation into the weaker Tor formation. This technique was chosen as it was thought that the stronger formation could withstand the stress imposed during oil production while preventing the weaker formation from collapsing.

This technique – descriptively termed "up and under" – was successful for a while but soon chalk production again became a problem. This led to the failure within three months in 1985 of five wells. As a result, oil production plunged precipitously from 64,000 barrels a day to 37,000 barrels.

In order to combat the problem, the company assembled a formidable team of in-house reservoir/production technology experts to help design a new solution.

As a result, a gravel pack completion technique was designed and this led eventually to Valhall's significantly improved production performance. Gravel packing is considered conventional technology for most reservoirs but it was unusual to use it in a chalky one such as at Valhall.

The purpose of the gravel pack – which is described by Robert Erickson, Amoco's general manager, as being a buttress operation – is to prevent a mass flow of the chalk into the wellbore through perforations.

Unlike the widely-used methods of gravel packing sandstone reservoirs, the Valhall gravel packs are put into position after hydraulically fracturing the formation – another unique application of completion technology.

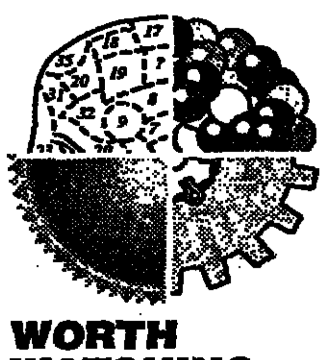
Since the technique was first implemented production has more than doubled. Current production rates are in excess of 85,000 barrels of oil a day with nearly 80 per cent coming from gravel packed wells.

Because of the success of gravel-packing, Amoco has been able to consider other ways of enhancing production from the field and a pilot project has recently been launched to determine the benefits of injecting water into the reservoir on a field-wide basis to recover more oil.

This pilot scheme is being undertaken because it is not known how much additional oil could be recovered. If the results are promising, a full-scale water injection programme may be implemented although significant additional investment will be required.

The technological inroads forged by Amoco for its production operations are not all it has achieved. Last May, Amoco used advanced technology to drill wells at unusually high vertical angles in order to reach the outer flanks of the field where there were additional, untapped recoverable reserves. One of these wells, drilled from the Valhall platform, is believed to be the longest and highest angled well ever drilled successfully in the Norwegian North Sea.

Had this technology not been successful, Amoco would have had to hire a floating drilling rig and complete the wells sub-sea, adding substantially to overall investments, and making it economically unviable to tap oil from the field's outlying flanks.



WORTH WATCHING

Edited by **Della Bradshaw**

Long playing compact discs

COMPACT discs which play for five times as long as today's recordings are the promise of a compression technology developed by Dolby Laboratories, of San Francisco.

The technique, known as adaptive transform coding (ATC), exploits the redundancies that exists in recorded sound. For example, a soft note in a recording could be inaudible to the ear when a loud note of similar pitch is played at the same time.

With ATC, the music is coded into a digital signal, and then the masked notes cut out, squeezing the sounds into as small a space as possible. Unique mathematical formulae, or algorithms, have been developed by Dolby to do this.

Dolby envisages that the system will be used in professional recording studios for editing music, rather than for making the original record. But it could also be used for voice communications.

Transatlantic analysis on tap

A SERVICE to make the latest reports from Wall Street analysts available in Europe is now available, using a wide range of delivery technologies, *writes Clive Cookson.*

Subscribers to the Company and Industry Research Reports (CIRR), launched in London this month, can receive the service by online computer access or on compact disc (CD-Rom), microfiche, facsimile or old-fashioned paper.

CIRR — already well established in the US — provides analysts' reports from 60 securities houses, including most of the big names on Wall Street, such as Merrill Lynch, Paine Webber and Shearson Lehman Hutton. Each receives a small royalty whenever a CIRR subscriber looks at one of its reports.

Incité, the company that has brought CIRR to London, plans to extend the service next year by including analysts reports from Europe.

Calculating pressures

A MEASUREMENT tool for calculating the different pressure forces at work on everything from motorcar tyres to jet engines has been developed by Bridgestone of Tokyo.

The computerised equipment, designed for use in research and test laboratories or in wind tunnels, can measure the pressure put on equipment from every direction. With a car tyre, for example, the Direction Scale 4D, as it is called, would measure both the braking force and the centrifugal force.

The portable equipment, constructed from a special aluminium alloy, can be made in a number of sizes and attached to the floor or measurement platforms. It can also have electronic peripheral equipment, such as amplifiers, attached.

The manufacturer even believes the system could be used to register forces on the human body, to help in sports training and rehabilitation.

The mouse that models

NEW Zealand may be more noted for its kiwis than its mice, but Money-Mouse is the name chosen for a software package developed by an Auckland company to help companies manipulate financial data.

The package is intended as an add-on modelling tool for personal computer accounting packages such as Tetra, Pegasus, Multisoft and Sagesoft, and can be driven using a mouse.

Money-Mouse enables three additional tasks to be carried out. The first is 'what if' projections, allowing companies to predict what will happen to their bottom line if, say, interest rates rise. The second is ratio analysis, measuring the relationship between two financial variables. And the third is the ability to format ratio and time statistics into a bar chart.

The package, which costs £149, is sold in the UK by Capitol, of Portsmouth.

Battling with barnacles

BARNACLES on boat bottoms may have met their match with developments in the US to discourage the barnacles without harming other sea creatures.

Battelle, of Ohio, has developed a way of making barnacle-repelling polymers from organic materials. These can be painted onto boats or the inside of water pipes, or incorporated into materials.

The substance is midly toxic to the barnacles, and so discourages them from sticking to the surface. But where existing anti-fouling coatings, which usually incorporate organo-tin compounds, dissolve or wear away over time, the Battelle substance will not, and therefore will not poison marine life.

Battelle believes the wonder substance should be ready in two to three years following more development.

The plants that warn humans

SOME people argue that talking to plants encourages them to grow, but Soviet scientists believe it is plants that can tell us what is happening, *writes Andrew Wiseman.*

A team from the USSR's Academy of Science's Institute of Biophysics believe plants can detect when polluted air is beginning to affect the environment.

By linking mobile laboratories to a network of micro-spectro-fluorimeters — instruments designed to measure the fluorescence emitted by a plant's cell structure — the scientists claim they can detect early signs of pollution. They say the system is more effective than relying on visible changes in plant life, which are often not detected in time to avert ecological disasters.

The Institute is looking for foreign companies to help perfect the equipment.

Contacts: Dolby: US, 415 558 0200. Incité: London, 254 9802. Bridgestone: Japan, 03 567 0111. New Concepts: New Zealand, 9 444 0447. Capitol UK, 0705 210012. Battelle: US, 614 424 8544. Academy of Sciences: London, 373 7350.

CINEMA

Human values gallop up the schmaltz charts

Reader: do you remember, long before space epics, cop operas and horror sagas engulfed our screens in the 1970s and 1980s, there used to be films about Personal Relationships?

You may recall that in these movies a boy would meet a girl and fall in love. Or a family would come together in radiant solidarity, after some token weeping and fighting. Or lovable Moms and Pops would hand down wisdom to the next generation or the one after that.

Readers, that age is back. I can testify, since I have just returned from Hollywood. I have seen the future (or is it the past dressed up?) and it works. At least on audiences. On me, I am not so sure.

No better month than December, with all those Oscar-qualifying films being rushed out, for monitoring the pulse of American cinema. The screens today are alive with warm-hearted titles like *Dad*, *Parenthood* and *Family Business*. Or with films like *Steel Magnolias*, *Always* and *Look Who's Talking* in which people make brave bids to bond together in an unfriendly world, using the cement of tears and laughter.

The surprise hit of the season has been *Look Who's Talking*. This tale of a talking baby (dubbed by the voice of Bruce Willis) and the hearts-and-flowers romance between its mother Kirstie Alley and her cab-driving boyfriend John Travolta has hi-jacked the US box-office, taking over 100 million dollars. Directed by Amy Heckerling *(Fast Time At Ridgemont High)*, the movie seems to have little purpose beyond encouraging the audience to make "Goo-goo" noises at the screen and to get smart answers back from Mr Willis. But audiences lap it up.

Leaping likewise up the schmaltz charts has been *Parenthood* ($94m). In this overgrown soap opera, comedian Steve Martin has had his sense of humour surgically removed in order to play a father with children trouble. As families collide and generations weep on each other's shoulders, the starry cast (Mary Steenburgen, Tom Hulce, Dianne Wiest, Jason Robards) glow with moist-eyed piety. Likewise in *Dad*. This is two hours of Jack Lemmon and Olympia Dukakis squabbling "lovably" in rent-a-wrinkle make-up, interspersed with scenes of son Ted Danson emoting nobly by the hospital bed. (The oldies take turns to be rushed to the terminal ward.)

Is there any relief from this wall-to-wall warmheartedness? Not a lot. *Dad* was executive-produced by Steven Spielberg, and Mr S himself has now directed *Always*. Any new Spielberg film is an event, although admirers of *ET* and *Close Encounters Of The Third Kind* have downgraded their expectations somewhat after his recent output *(The Color Purple, The Empire Of The Sun +)*. *Always* is his most maddening movie to date. Visually inspired, it paints with wondrous élan the firefighting scenes in the American North-west, where hero Richard Dreyfuss rides his plane through flame and smoke. And it haloes in an eerie radiance the early scenes of Dreyfuss's return from the dead to be guardian angel to the woman he loves (Holly Hunter).

But after a fine start the film, culled from a 1943 Spencer Tracy movie *A Guy Named Joe*, becomes a thing of bizarre threads and patches. Audrey Hepburn contributes a fey cameo as a heavenly guide-cum-hairdresser (sic) and newcomer Brad Johnson struggles with the ill-developed role of Miss Hunter's later boyfriend. The film owes all its emotional life to Dreyfuss and Hunter – both superb – and all its cinematic life to Spielberg's flair, even in a faltering story, for blending light, colour and camera-movement into a mystical movie music.

Elsewhere in Hollywood, the new sentimentality is rampant. *Turner And Hooch* stars Tom Hanks in a winsome cop-and-dog comedy from Disney. *Steel Magnolias* stars every known woman in Hollywood (Shirley MacLaine, Sally Field, Daryl Hannah, Dolly Parton, Olympia Dukakis . . .) in a loud, lachrymogenic adaptation of the stage play. And *Family Business* boasts Sean Connery, Dustin Hoffman and Matthew Broderick in a tale of three generations caught up in a crime caper. The heist they perform is the prelude to much familial agonising: one generation must go to jail but which will it be?

'Family Business:' Matthew Broderick, Sean Connery and Dustin Hoffman

I am all for human values replacing heartless pyrotechnics in the cinema. But I am perturbed by the kind of human values we are getting. They seem drawn less from life than from TV sitcoms and soap operas. The only movie I saw that has any cinematic rather than televisual vitality is Spielberg's; for the simple reason that Master Steven cannot avoid being a pictorial genius even though there are occasional, dismaying signs that he may be trying.

Amid the schmaltz, thank heaven for three darker, more acidulous movies. Woody Allen's *Crimes And Misdemeanours* is a bleakly witty morality tale, intersplicing two stories of human vanity. One stars Martin Landau as a man out to murder his mistress (Anjelica Huston). The other stars Allen himself (hallelujah!) as a documentary film-maker trapped in a romantic-ideological triangle with Mia Farrow (producer) and Alan Alda (smug media-man). Brusque, funny and as sharply literate as a paper knife.

Opening in L.A. as I left were two virulent black comedies, *She-Devil* and *The War Of The Roses*. The first, based on Fay Weldon's novel, has Meryl Streep revealing undreamt-of comic talent as a snooty lady writer snagged in adultery. The second reunites the *Romancing The Stone* trio - Michael Douglas, Kathleen Turner, Danny De Vito – for a wholly different tale of marital strife. Douglas and Turner tear into each other with Strindbergian glee (this could be *The Dance Of Death* gone slapstick), while De Vito plays divorce lawyer and also directs the movie. With luck the 1990s will sprinkle the winsome and well-meaning with this kind of fierce Satanic wit.

★

We have all had those days – usually after celebrating too much the day before – when UFOs land in our swimming pool disgorging furry, multi-coloured aliens. Soon we are reaching for the Yellow Pages to call the police or Alcoholics Anonymous.

In *Earth Girls Are Easy* (PG, Cannons West End), such visitors appear for real and accost pretty California manicurist Geena Davis. Under their influence and that of director Julien Temple *(Absolute Beginners)*, Ms Davis is soon cavorting across the screen singing, dancing and removing most of her clothes, and generally behaving as if she wished to forfeit for bad behaviour her recent Oscar for Best Supporting Actress *(The Accidental Tourist)*.

This movie is almost entirely bonkers and occasionally endearing. Temple strews the landscape with neo-1950s kitsch – everything is in lollipop colours and Art Deco Revival shapes – and forces everyone to sing and dance at camera-point. Along with Miss Davis, Jeff Goldblum as chief alien and Charles Rocket as yuppie boyfriend throw away their inhibitions and jump into the chaos, grabbing the lifebelt of some buoyant dialogue. (Mr Rocket, caught in flagrante with a one-night bimbo, pleads "She doesn't mean a thing;" Davis responds, "If meaningless sex is what you want, why can't you have it with me?"). Bright, silly and diverting.

Recent scientific evidence that Kylie Minogue comes from outer space is strongly supported by *The Delinquents* (12, Warner and Cannons West End from next week). The star of stage, screen, and soap lends her nymphet charms – entirely unmarked by human experience – to this tale of two lovestruck Aussie teenagers who keep falling into bed together despite the "tsk-tsks" of grown-ups. (This is the puritanical 1950s.) Will love conquer all?

All but the script and direction. Based on a novel by Pat Cash's aunt, one Criena Rohan, the movie is directed by Chris Thomson like a training run for some endless, decade-spanning TV serial: *Neighbours* time-whisked to the 1950s but naughtied up (several bed scenes) for the 1990s.

The Return Of Swamp Thing (12, Cannons West End) could not be more welcome. Green, slimy and repulsive Mr Thing may be. But he is good-hearted. Here he emerges from the Louisiana bogs to battle evil scientist Louis Jourdan and fall in love with persecuted heroine Heather *(Dynasty)* Locklear. "But you . . . you're a plant!" gasps Miss L. And Mr Thing agrees that this is a problem. But love will surely conquer all? After all this is Christmas, and love is conquering all everywhere else in the cinema.

Nigel Andrews

Martin Mo…

Miyako Yoshida and Petter Jacobsson in 'Danses Concertante'

MacMillan Ballets

SADLER'S WELLS

Was it really 35 years ago (all but a month) that we cheered the first performance of *Danses Concertantes* at the Wells? This was the young Kenneth MacMillan's first professional creation after a couple of workshop essays, and its flood of steps and ideas about how dancers could look; its quick wit and madly chic manner, delighted us. On Tuesday night, when Sadler's Wells Royal Ballet began its Christmas season, we cheered again as *Danses* opened a MacMillan programme to celebrate the choreographer's 60th birthday.

It is an astonishing piece, so full of tricks and quirks as fingers point, and poses freeze, and hands become masks, and it is still fresh, still exhilarating. The reason is not hard to find, for everywhere the academic vocabulary has been respected and understood, as youthful energy tilts and twists an idea, or says that the cinema and social manners can fire the way classic steps are used.

The performance was bright, energetic, with Miyako Yoshida its central figure. Of course memories of that first cast came flooding back – no subsequent ballerina has seemed to inhabit the music as wittily as Maryon Lane, and the punchy muscularity of *Donald Britton* is now missing in the male solo – but today's cast enjoy the rhythmic shifts and sassy changes of head or arms that give this dazzling piece its particular distinction.

Las Hermanas, which was the centre of this celebratory programme, came eight years later. By the time he made it, MacMillan was starting to forge a movement language able to explore psychic and sexual drama. As with *The Invitation* which predates *Hermanas*, the choreography is starting to take chances with images. The key gesture (linked hands unable to break out of a circular movement) which identifies the contained frustrations of the eldest daughter in this house of women; the ape-like stance of the man, are carved from their personalities and tell all we need to know to understand them. Marion Tait came fresh to the role of the Eldest Sister on Tuesday and claimed it for her own; Joseph Cipolla showed the erotic force of the man – though he doesn't yet look quite earthy enough; Karen Donovan I thought fine in the hysteria of the Jealous Sister.

Bonnie Moore, who played the all-too-eager Youngest Sister very well, transformed herself for the final piece of the evening. *Solitaire* was made a year after *Danses Concertantes*, and its sunny and wistful games were then given their focus in the performance of Margaret Hill, so tender, sensitive and suddenly joyful. No subsequent interpreter, and there have been many, has quite caught the combination of dreams and merriment that made Miss Hill's portrayal so infinitely charming. Until Bonnie Moore. Because she does not force a single effect and avoids the least sentimentality, and because she dances with the lightest and prettiest ease, Miss Moore restores to *Solitaire* its pristine charm, its heart. The evening had been one in which we could voice our gratitude to a choreographer who has made tremendous things for our national ballet: in this sunny and uncomplicated work Bonnie Moore told something very beautiful and true about his talent, and about her own gifts.

Clement Crisp

Patricia Hodge and Simon Cadell

Noël and Gertie

COMEDY THEATRE

I know Gertrude Lawrence only through records and the cinema. I remember my disappointment at the first glimpse at the NFT, in a boulevard comedy with a young matinee-idol Olivier, of a cheerful, ordinary-looking woman with an over-high forehead and an over-large nose. By the end of the film her ebullience had made even Olivier pale. She had the great actor's gift of making everything she did or said deem absolutely spontaneous, as if she had just thought of it and was slightly surprised herself. In Noël Coward's words, quoted in this tribute by Sheridan Morley to their partnership, she had "something very great indeed."

Pity the actor forced to suggest intangible greatness. By her own admission Lawrence excelled in no particular technical field. Even Coward had to resort to the cliché of "star quality" to describe her appeal. The poor player might as well give give up. And there are times when Patricia Hodge appears to do so.

Noël and Gertie started life three years ago at the King's Head, Islington, and after doing the rounds elsewhere in London besides the country returns in a revised form: a two-hander, plus pianist, without Mr Morley's stage presence as narrator. Simon Cadell's Coward, in noble self-abnegation, now presents a framework for his blander partner. The performance takes on the nature of a ringmaster announcing a main attraction that never actually materialises.

Part of the trouble lies in the absence of tension, plot or conflict. A radio documentary this may be; two and a half hours of theatre, not quite. Minimally directed by Alan Strachan against swivelling panels that take a variety of scene-setting projections, the first half takes us from the children's meeting in 1913 to their performances in *Tonight at 8.30* over 20 years later.

Linking words are largely the historical characters' own, interspersed with songs and scenes from the plays. Act 2 simply continues the story to Lawrence's death during the Broadway run of *The King and I* in which Noël had refused the part of the king: and leaves with a glimpse of the grief that desolated Coward and shocked his friends.

Sensibly, Mr Cadell does not imitate Coward but perhaps because of that fails to come over as anything very vivid. (The addition of lesser-known lines to "Mrs Worthington" turns a sneer into an ugly jeer – what a nasty little song it is.) Miss Hodge marches, struts and does aerobics with a chiffon scarf to "Dance Little Lady." Her own light voice has the authentic period sound in its rapid, fluttery vibrato. She manages some of the introspective songs, "You Were There," for instance, very well. Best of all is a non-Coward number, ironically: "My Ship" from Kurt Weill's *Lady in the Dark*. She does this beautifully enough to make her blankness elsewhere (sleekly unruffled in the Celia Johnson part of what would become *Brief Encounter)* all the more irritating.

The show reminds us of such excellent Coward rarities as "Come the Wild, Wild Weather" and to whet the appetite for revivals of the plays. *Blithe Spirit* and *Private Lives* may be frequent visitors to our stages, but these excerpts make one long to see them again. Perhaps Noël, as well as Gertie, had "something very great." But neither professionally nor personally is the relationship explored here any deeper than Leichner Five and Nine.

Martin Hoyle

Dick Whittington

EVERYMAN, CHELTENHAM

Cheltenham has gone back to old-fashioned pantomime, though the book by Fine Time Fontayne (who also produces) has a modern sound to it despite such classic lines as "Look behind you!" and "Oh yes I do!" and "She's gone to the toilet" (a fairly recent classic).

The opening scene, an attractive design by Terry Brown, introduces a rightly female Dick (Debbie Norman), a very entertaining King Rat (Mark Crowshaw) with proper fireworks at his entrance, and a slut from the kitchen (Sandra Hunt) who introduces herself as Dirty Gertie from No. 30, but later, in pursuit of tradition, becomes the Fairy Queen.

A drop-curtain takes us to a country scene three miles from London, where Dick picks up his Cat (Steve Waston) and King Rat robs it of its first life (count these).

Back to London, to the docklands, not then inhabited by yuppies but by Alderman Fitzwarren (Edward Clayton) and his daughter Alice (Bryonie Pritchard); below stairs are Sarah the cook, who is Fine Time Fontayne in yet another role, as funny as he is conventional, and Idle Jack (Anthony Corriette).

Dick is duly framed for the theft of the Mayor's silver chain, but when everyone embarks on the Saucy Sal en route for Morocco, he naturally stows away. The story follows established lines to Morocco, where the Empress (Jacqui Dubois) sings after the manner of Billy Holiday, so well that she later performs at Dick's wedding to Alice Fitzwarren in the last act.

It was pleasant to see all the familiar notions played as if they were novelties. No jokes about television figures, though Fitzwarren, always liable to error, announces that his ship will sail on Persil. "The Tide, father!" Alice corrects him.

There is a very funny cooking sketch for Fontayne and Corriette in the ship's galley, where climaxes are of course marked by cream sauce smeared over faces. A virtual non-scene is inserted between Morocco and the wedding, where Sarah gets three small kids to play musical instruments.

The children in the audience were wonderfully responsive, and knew their cues so well they might have been rehearsed like the other children, who were rats and sailors. Graeme du Fresne is in charge of the music, Debbie Norman, when she is not being Dick, of the choreography.

Collectors of current-isms will be glad to see four blacks in a cast of 14, and a girl (Jackie Ekers) as Captain of the Saucy Sal. Richard Stone is the director.

B.A. Young

ARTS GUIDE

December 15-21

EXHIBITIONS

London

The Royal Academy. Inigo Jones, Architect – a full study and exquisite show of the intimate drawings and designs of the greatest of British architects, only excepting Sir Christopher Wren. Jones was architect to James I and Charles I, and Greenwich Hospital, St Pauls' in Covent Garden and the Banqueting House in Whitehall remain to us as his masterpieces.daily until February 25, except bank holidays.

National Portrait Gallery. Camera Portraits from the Collection 1839-1989 – a necessarily brisk but delightful and intriguing survey-cum-150th anniversary celebration. Until January 21.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibition ends, aptly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picasso's development. There are cubist flat planes decomposing reality next to the fulness of neo-classical figures, there is the almost sugary rendering of the mother and child theme next to the cruelly distorted female faces, there are all the facets of Picasso's inventive genius.107, Rue de Rivoli (42603214), closed Tue. Ends Dec 31.

Grand Palais. Eros. Some 100 vases, marbles, bronzes and jewelsdating from Greek antiquity describe most explicitly the vervewith which the god of love encouraged humans and gods alikein their uninhibited pursuit of pleasure. Closed Tue, ends Feb 5 (42895410).

Musée des Arts Decoratifs. Bohemian glass 1400-1989. Some 200 exhibits, among them the famous ruby-coloured glass, show how – having freed themselves from Venetian influence – the glassmakers of Bohemia carried the art of cutting and engraving and painting to such perfection during the baroque period that the renown of Bohemian crystal conquered countries as far apart as Spain and America, Egypt and Ireland.

Musée d'Art Moderne de la Ville de Paris. Kupka (1871-1957) or The Invention of Abstraction. The subtitle of the vast retrospective sums up the progress of the Czech-born artist from Vienna-inspired symbolism to non-figurative canvases where glorious colours acquire a life of their own. 11 Avenue President Wilson.

Brussels

Musées Royaux des Beaux-Arts. Seventeenth century flower paintings; a selection from the museum's collection of Flemish and Dutch masters. Closed Monday; ends Feb.

Rome

Galleria Nazionale Dell'arte Moderna. Bertel Thorvaldsen (1770-1844). Sculptures, reliefs, portrait busts and drawings by the prolific and talented Danish artist who spent nearly 40 years of his working life in Rome. Neoclassic in style, his works are heavily romantic, but with a purity and simplicity of line which holds them just short of sentimentality. Most of the works have been lent by the Thorvaldsen Museum in Copenhagen, built after his death to house both his own enormous output and the fine collection of paintings by contemporaries, which form part of this exhibition, and are fascinating both for their quality and documentary interest. Ends Jan 28.

Milan

Palazzo Reale. Fernand Leger retrospective: includes over 150 works – paintings, and book illustrations. Ends Feb 18.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens the autumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Frankfurt

Kunstverein, Markt 44. The Frankfurt Kunstverein is thefirst stop on a European tour of the works by the American sculptor Louise Bourgois. After nearly 20 years unknown, she had her first retrospective in New York in 1983, organised by the Museum of Modern Art. The museum's director Mr Weiermair has organised the biggest retrospective to date with 120 sculptures and some early paintings by Louise Bourgois, now aged 77. Ends Jan 28.

Munich

Städtische Galerie im Lehmbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections. After the Kirchner and Heckel exhibitions, this is the third significant project from one of the founding members of the Brücke group. Schmidt-Rottluff, who died in Berlin in 1976, was strongly attacked during the Nazi years.

Vienna

Museum for Applied Arts is hosting a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect. The theme is focusing on "The Other City". Until Jan 15.

New York

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7.

Washington

National Gallery. Almost three dozen paintings of the early 20th century German movements, Bauhaus, Neue Sachlichkeit and Blaue Reiter, lent by the Thyssen-Bornemisza collection, make a telling commentary on a part of the world again at the centre of attention internationally. Ends Jan 14.

Tokyo

Bunkamura, The Museum. Major works from the Detroit Art Museum. El Greco, Goya, Rubens, Manet, Degas, Cezanne, Matisse, Picasso etc., more than 100 paintings from one of the largest public collections in the US. Closed Mondays.

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Britain's door opens a little

FACED WITH a rising rate of emigration from Hong Kong, the British Government has decided to give full British passports to 50,000 heads of family in the colony, providing the right of abode in Britain for a total of about 225,000 people including dependants. In view of the behaviour of the present regime in Peking, the effectiveness of this gesture in encouraging people to stay in Hong Kong is open to doubt. But it represents an attempt, and in the circumstances not an unreasonable one, to bolster the confidence of people whose continued presence is vital to the stability and prosperity of the territory.

Some critics will argue that the Government's figure is 225,000 too many; others will counter that the only defensible moral position is to issue passports to all 5.6m resident in Hong Kong. But ministers have had to face three uncomfortable realities.

First, Britain has, like many other countries, introduced increasingly tight immigration controls during recent decades. A more liberal immigration policy would almost certainly be in the best economic interests of the country, but the fact is that no government, Conservative or Labour, could contemplate presenting to parliament any proposal to issue passports to the entire Hong Kong population.

No retreat

Second, there can be no retreating from the 1984 joint Sino-British agreement under which China becomes the sovereign power for Hong Kong in 1997. A brutal and intolerant streak remains dominant within the Peking leadership, which threatens that no "political subversion" will be tolerated in Hong Kong after 1997. Britain must do everything possible to encourage the Chinese leaders to take a more progressive view and should move quickly to introduce the maximum possible level of democracy to Hong Kong prior to 1997. But binding international agreements cannot be abandoned.

Third, the absence of a right of abode in Britain, coupled with fear of a repressive Communist regime, has precipitated a flight of talent from Hong Kong. The exodus is depriving business and government of skills which must stay if Hong Kong is to remain a thriving business and financial centre.

Yesterday's announcement is a pragmatic response to the problems posed by emigration, now running at 1,000 a week. Inevitably the policy has unpleasant features – divisiveness, arbitrary decisions in allocating points in a system with a ceiling quota, some rough justice. But it is a genuine attempt to make some people feel secure enough to stay put in Hong Kong. The hope must be that it will work, but there are serious doubts, particularly as legislation will take time to enact and passports will be handed out over several years.

Tipping confidence

A recent survey by Price Waterhouse indicated that around 250,000 family heads in key jobs needed full passports – or up to 1m passports including dependants. Yesterday's announcement falls well short of that. If confidence remains low and the outflow continues, Britain may have to look at these numbers again. But it has opened its door a little and other countries, waiting for a lead, may be encouraged to open their doors a little more. Enough small openings around the world could tip the confidence balance the right way.

Meanwhile British political leaders face two urgent tasks: regular and robust dialogue with the Chinese, who risk allowing Hong Kong to go the way of Shanghai unless they play a helpful part in restoring confidence; and strong repudiation of the disgraceful stance of a few racist members of parliament. There is no evidence that their views reflect majority public opinion. Moreover, there is very little doubt that even if all the 50,000 heads of family and their dependents settled in the UK, the net gain to the country would be substantial. The attacks from the illiberal wing of the Tory Party give ministers a good opportunity to stress the enriching contribution which immigrants have made and will continue to make to the well-being of the country.

Getting rid of Noriega

ENDS SOMETIMES justify means. If the US invasion of Panama yesterday turns out to have been quick, clinical and relatively unbloody, there will be a temptation to see it in this light. What the US government must address – and not merely for internal consumption – is whether the goal of removing General Manuel Noriega warranted the extreme recourse of an invasion of the sovereign territory of another country.

That Noriega was a blot on the landscape is not in dispute. His domestic record has long been despicable and his provocation of the US considerable, especially in the last year. The fact that the US helped create him and found him useful on occasions did not give him the licence he subsequently took. His presumed role in the narcotics trade was a flagrant affront to the US, which has such an acute drugs problem.

Yet Noriega's place in the indisputable international first division of villainy is borderline. It would be hard to sustain the case that his crimes against humanity were worse than, for example, those of Pol Pot, who was removed by a Vietnamese invasion that the US, among others, so vehemently condemned; or indeed of the Ceausescu dynasty in Romania, which appears to have killed in a weekend more than Noriega has in years. In so determining, the US has set itself up as judge, jury, and, if necessary, executioner – a course not without consequences and responsibilities.

Sovereignty principle

The sovereignty of nations has never been sacrosanct, but at least until someone comes up with a better international rule of order it is a principle that should never lightly be breached. The US has a long tradition of intervening militarily in the Caribbean and central America. The record has sometimes been counter-productive to US policy aims.

This is particularly true today. The democratic tide which has swept south America and removed a generation of military dictators equally as bad as Noriega has encouraged indigenous leaders to pursue peaceful solutions to problems. Last week's central American summit on Nicaragua and El Salvador was merely the most recent manifestation. In this climate men like Noriega had come to be viewed with supreme distaste, but not to the point of removal by force.

Yet the residual dislike for overt displays of American power may well be greater. There has been no more important recent symbol of the US willingness to forge a new partnership in the region than the Panama Canal treaties, involving a renunciation of US sovereignty. President Bush's commitment yesterday to honour the treaties is therefore welcome.

New pretext

However, there are now those leaders, from Mexico southwards, who may be wondering if the new pretext for armed intervention by the US is to be the production and sale of narcotics. After all, Mr Bush made much of Noriega's indictment – though not as yet conviction – on drug trafficking charges. It may be argued that the US ought to be more concerned with demand than supply. Equally disturbing was the Justice Department opinion that US agents were authorised to arrest overseas those declared fugitives from US law.

The US relationship with Panama itself is not exactly natural, for many historical and current reasons and manifested by the fact that the Panamanian currency is the US dollar. Having seen its commercial boycott destroy the Panamanian economy and perceiving a threat from Noriega to the freedom of passage through the canal, the US might well feel it had a special obligation to take matters under direct control. However, swearing in a new president, albeit one whose election this year was frustrated by Noriega, on a US military base does not constitute an encouraging start. The management of Panama may prove as troublesome as the taking of it.

The Soviet Union has belatedly recognised that regional spheres of interest can no longer be crudely policed. It may be time for the US to make a similar adjustment to reality in its own hemisphere, no matter how popular it has been to dispose of Noriega.

Chronic wrongdoing, or an impotence which results in a general loosening of the ties of civilised society, may in America, as elsewhere, ultimately require intervention by some civilised nation, and in the Western Hemisphere the adherence of the United States to the Monroe Doctrine may force the United States, however reluctantly, in flagrant cases of such wrongdoing or impotence, to the exercise of an international police power.

Robert Graham on the US decision to use troops to remove General Noriega

Why Bush is acting tough

This assertive edge to the Monroe Doctrine was enunciated by President Theodore Roosevelt in 1904 to justify US preventive intervention in the Dominican Republic. It was to become the doctrinal core behind subsequent police action in the Caribbean and central America.

Though President George Bush yesterday used less flowery language, his dramatic decision to wrest control of Panama from General Manuel Antonio Noriega was justified in precisely these terms. The despatch of the 82nd Airborne Division from Fort Bragg and the deployment of the 13,000 forces in the Canal Zone was even called "Operation Just Cause." The just cause of protecting US interests and allies has been used as a justification with surprising frequency in the past 35 years to explain overt and covert intervention in the region – the overthrow of the reformist Arbenz Government in Guatemala in 1954;the 1961 Bay of Pigs invasion against Fidel Castro;the despatch of troops in 1965 to the Dominican Republic;intervention in central America from 1980 to help the Contra rebels; and the 1983 invasion of Grenada.

President Bush has justified his action on the ground that he is restoring democracy, fighting drug trafficking, protecting the lives of 35,000 US citizens in Panama and preserving the operations of the Panama Canal. Compared to past US interventions in the region, Panama is a peculiar case simply because Washington has the right to station troops there until the Canal Treaty expires in 10 years' time. The troops control the Canal Zone despite surrendering certain privileges since the treaty came into force in October 1979. The canal bisects Panama and the bulk of the population is near the waterway. As a result Panama's sovereignty is limited.

The present situation in Panama, however, is full of ironies. Resort to the Monroe Doctrine by the Bush Administration comes at a time when President Mikhail Gorbachev has abandoned the Brezhnev Doctrine, justifying Soviet military intervention in its satellites to protect strategic interests. President Bush's move against Gen Noriega's dictatorial rule in Panama occurs against a background of previously cautious diplomacy. Unlike his predecessor, Mr Ronald Reagan, President Bush has sought to avoid an interventionist role in the region, fully recognising that this risked creating more problems than it solved.

President Bush must now face the consequences of taking over Panama – albeit temporarily. Much will depend upon four factors:

- The speed of the operation
- The scale of US and civilian casualties
- The fate of Gen Noriega
- The extent to which extra US troops are required to remain in Panama for policing purposes.

International condemnation may be loud, but, in practice, it will only hurt Mr Bush if the operation is messy, slow to obtain its objectives, involves large scale loss of life, fails to apprehend Gen Noriega quickly and leads to US troops becoming bogged down in long-term policing duties against a hostile population.

Early yesterday Gen Colin Powell, chairman of the US joint chiefs of staff, commented: "He (Noriega) is not running anything. We own all the bases. We have cut off the head of that government." However, it is too early judge whether things have gone as smoothly as Washington pretends, especially as Gen Noriega seems to have escaped the net.

Legal niceties were observed by President Bush who ensured that Mr Guillermo Endarra, the opposition leader, was sworn in by a Panamanian justice one hour before the military operation began. Mr Endarra, widely believed to have won the May presidential elections which were annulled because of fraud, then invited the US in to restore order. This ensured, at least within the letter of the law, that the US was not breaching any of its obligations under the 1979 Canal Treaty.

A variety of senior Latin American diplomats yesterday blamed the US for having created the original problem in Panama, tolerating Gen Noriega's rise to power in the full knowledge of his vicious personality and drug-dealing connections. But they pointed out that President Bush had carefully gone through all his options with other regional leaders who had been made aware that force might be used. All attempts to mediate by Latin American leaders, especially those by President Carlos Andrés Pérez of Venezuela, had come to nothing. The diplomats, nevertheless, warned that sections of the Panamanian population, particularly in the poorer sections of the two main cities, Panama City and Colon, could turn previous support for Gen Noriega into "anti-gringo" sentiment.

President Bush has limited tolerance for rogue governments on his doorstep

Gen Noriega himself had previously promised to organise a guerrilla movement to fight on in the event of a US intervention. This must be a real danger now. At the very least, the US will be obliged to become involved in a complete reorganisation, if not disbandment, of the 12,000-strong Defence Forces – the bulwark of Gen Noriega's power – along with the paramilitary defence groups like the Dignity Battalions (used to beat up and intimidate the opposition). As a result, it is hard not to envisage a substantial US military contingent in the country in addition to the normal group centred round Southern Command, protecting the canal.

On the economic front, President Bush's action will inevitably commit him to provide very substantial quantities of economic and financial aid to restore Panama's battered economy. The economic embargo, lasting nearly three years, has profoundly damaged every aspect of industrial production. The physical difficulties of operating under the embargo have seriously eroded international confidence in Panama's offshore banking business, and it is possible that the whole services sector has been dealt an irreparable blow. Even a year ago, economists talked of a minimum injection of $1bn to revive the economy.

The US yesterday agreed to release the $300m worth of funds held in an escrow account, covering canal fees and other payments from US companies denied to Gen Noriega. Canal operations were shut down by the US intervention yesterday – for the first time in the canal's 75-year history. Canal officials and shipping operators were optimistic that this would be temporary. The canal had managed to operate smoothly throughout the US anti-Noriega campaign until now.

The kind of action taken yesterday has always been on the cards. Ever since the US began encouraging moves to unseat Gen Noriega in 1987 and have him indicted on drug trafficking charges in February 1988, his defiant retention of power has been a deep embarrassment to Washington. Indeed, by constantly appearing to outsmart every manoeuvre against him from US economic sanctions to plotters within the Panamanian Defence Forces, Gen Noriega turned himself into a bogeyman.

As early as September this year, Mr Lawrence Eagleburger, Acting US Secretary of State, was telling the Organisation of American States: "Noriega's greed, personal ambition and selfishness are the origin, core, and sustenance of Panama's crisis . . . there are times when good principles force us to defend bad men. Some argue that this is the case with Noriega and Panama. They argue as if the principle of non-intervention requires us to accept whatever Noriega does. But non-intervention was never meant to protect individual criminals . . . and it was never meant to leave criminals free to savage the good and the powerless to react."

President Bush passed over an opportunity in early October when Gen Noriega faced his most serious threat from within his Deefence Forces. Washington rejected a request to intervene on the plotters' side. This was partly because President Bush and his advisers were unclear of the plotters' strategy, but also because the White House had serious doubts about being seen to interfere so openly in Panamanian affairs. This "missed opportunity" led to strong criticism from the American right which is reported to have stung President Bush. The incident was made all the worse by the brutal treatment of the plotters – at least one of the rebel officers was personally executed by Gen Noriega.

In the light of the October plot and the apparent inability of the US to help in the overthrow of Gen Noriega, pressure increased on President Bush to find a quick solution. Gen Noriega did everything to encourage retaliation, boasting ever more openly of his invincibility. Last week the tame Panamanian Congress invested him with new powers and on Friday he made a quixotic declaration of war against the US. In President Bush's words: "Last Friday, Noriega declared his military dictatorship to be in a state of war with the United States, and publicly threatened the lives of Americans in Panama. The very next day, forces under his command shot and killed an unarmed American serviceman, wounded another, arrested and brutally beat a third American serviceman, and then brutally interrogated his wife, threatening her with sexual abuse."

Having taken over Panama, President Bush will have to demonstrate that Panamanian nationalist sentiment is unjustified in seeing an ulterior motive. This ulterior motive was put only recently to the OAS in Washington: "The US is out to ruin Panama, to destabilise it, to make it fall on its knees in order to force Panama to conclude a new military treaty that will prolong the presence of US troops."

The nationalist argument largely hangs on the strategic importance of the canal and the value Washington places on retaining its military facilities – air bases, telecommunications, training facilities – in Panama. The canal is still regarded as a useful waterway carrying an average of 33 vessels a day. Nevertheless the changing patterns of trade, technological advances in transport, greater use of alternative routes and superpower détente have all combined to lower the strategic significance of the canal.

It has become rather like a vintage car, finely built and fully operational but very conscious of its age. Large investments are needed to maintain it in working order, quite apart from preparing it for the next century, and toll revenue looks increasingly inadequate.

Yet even if Panama's importance has declined for the US, the real message behind what has happened is that President Bush, like his predecessors, has limited tolerance for rogue governments on his doorstep. This message may well remove the "wimp" image from the Bush presidency. The desire to appear active and decisive must have been, for the White House, an important element in the whole enterprise, just as in Mr Reagan's Grenada invasion.

Arguably, both the Sandinistas in Nicaragua and the FMLN left-wing rebels in El Salvador have been taking advantage recently of President Bush's perceived desire to disentangle Washington from such direct involvement in central America. The latter, like President Castro – that other inconvenient neighbour – will now take note that the Monroe Doctrine first deployed in 1823 is alive and well close to the 21st century. This may be reassuring in Washington but it will not necessarily be conducive to building strong, stable and sovereign neighbours.

PANAMA'S HISTORY

- 16th century-1821 Spanish rule.
- 1821-1903 part of Grand Colombia.
- 1903 independence, US protectorate, Panama Canal treaty.
- 1939 End of US protectorate.
- 1968 Gen Omar Torrijos Herrera takes power in coup.
- 1979 US ratifies new Canal treaties. Panama assumes control over Canal Zone.
- 1981 Torrijos killed in air crash.
- 1983 Noriega commander-in-chief of armed forces.
- 1984 May: First election since 1968 rigged in favour of military candidate President Barletta.
- 1985 Murder of opposition figure Hugo Spadafora; Noriega reportedly involved. Noriega replaces Barletta with Delvalle.
- 1987 Popular protests against Noriega. US suspends aid.

1988

- February Noriega indicted by US grand juries on drugs charges. President Delvalle dismisses Noriega. Legislative assembly sacks Delvalle. General strike.
- March
  Banks closed for two months. US sanctions. Failed coup attempt. Troops attack protest marchers.
- April
  US steps up sanctions, tries to negotiate Noriega's departure.

1989

- May International observers say election rigged. Government nullifies result.
- October
  Failed coup attempt.
- December
  Panamanian parliament declares war on US. US officer killed by Panamanian forces. US army intervenes in force.

OBSERVER

Keeping off forecasts

■ Whatever next? One was just sitting down to write some thoughts on 1989 and it seemed a fairly safe bet to say that, whatever may have happened in the rest of Eastern Europe, Romania was a law unto itself and would remain immune from outside influences, at least for a while. Then Romania erupted from within.

It also seemed safe to say what a splendid President of the US George Bush was proving to be: cautious, wise, even-handed and never doing anything rash. Then one woke up and heard that he had sent American troops into Panama.

Even on the weather we were wrong. It had become commonplace last week to ask when it last rained in London. A taxi-driver told me that he had become convinced of the greenhouse effect and wondered whether it would ever be cold or wet again. Then it poured.

Troubled water

■ There may be something about canals that arouses extraordinary passions. It was the Suez Canal that destroyed the political career of Sir Anthony Eden and, for a time, almost wrecked the Anglo-American relationship. Yet, when one looks back, it is hard to see how Eden did anything but over-react. He thought that Nasser was a kind of Mussolini and failed to see that it was in the Egyptian's own interests to keep the canal open.

The Panama Canal has stirred similar passions among Americans. It was Ronald Reagan who said; "We built it, we paid for it, we keep it." That was before he was elected President. But there are even some quite liberal Americans who think that the US is going too far in eventually ceding the canal to the Panamanians.

The really odd development yesterday was that for the first time both the Suez and the Panama canals were closed. The Panama Canal has never been closed before. Suez was closed as a result of Nasser and the Anglo-French intervention. Yesterday it was simply a matter of a Liberian-registered oil tanker running aground. The canal was re-opened after 19 hours, but it looked almost like a sympathy strike.

And thank you

■ London Underground's latest wheeze is the acronym PLEASE, designed to describe its "mission."

PLEASE stands for Partner in London life and prosperity; Leader among the world's underground networks; Enjoyable travel and work experience; Affordable to Londoners and visitors; Safe for customers and staff; Efficient for customers and shareholders.

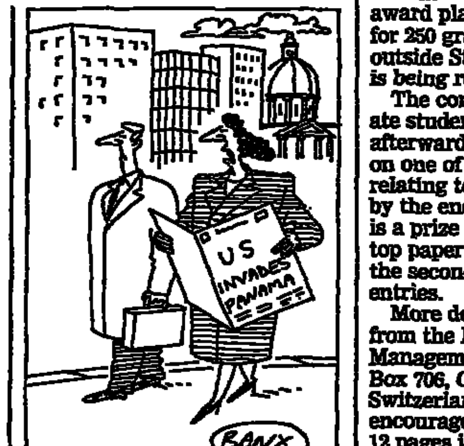
The new approach is explained in the new strategy document of the Underground's parent company, London Regional Transport, published yesterday.

Czech star

■ All doubt that Czechoslovak entrepreneurship has been dealt a fatal blow by 41 years of communism should henceforth be dispelled. A Prague citizen of courage, stamina and inventiveness has been passing out handbills in the past few days, offering his services to scale the walls of buildings to remove "inconvenient" signs, symbols and stars of the kind which still infest what remains a jewel of a city.

A typical example is: "Higher productivity equals the realisation of socialism."

The man's services have already been used by the tenants of the Diamant building on Wenceslas Square. A venerable neon sign saying "With the Soviet Union forever" has been replaced with a banner reading "Havel for President."



"It'll all be over by Christmas."

Big prize

■ Essay competitions seem to be two a penny nowadays. But one that stands out from the crowd was announced recently by the International Students' Committee of the St Gallen business school in Switzerland.

The committee organises the St Gallen international management symposium: an event that takes place for three days in May each year and which has become an increasingly important talking shop for businessmen, government officials and intellectuals from central Europe and beyond.

The level of participation among British graduate students has tended to be low. This is a pity because since glasnost and perestroika entered our vocabularies, the St Gallen symposium has attracted a growing number of graduate students from eastern Europe and the Soviet Union.

The essay competition was first introduced last year to award places at the symposium for 250 graduate students from outside St Gallen. The exercise is being repeated this year.

The contest is open to graduate students born in 1958 and afterwards. Papers are invited on one of four specific subjects relating to corporate dialogue by the end of January. There is a prize of SFr 8,000 for the top paper and cash awards for the second and third best entries.

More details are available from the ISC-International Management Symposium, PO Box 706, CH – 9001 St. Gallen, Switzerland. Verbosity is not encouraged: papers exceeding 12 pages in length will not be accepted.

Dresdner's home

■ The Dresdner Bank is going home: 117 years after its founding the bank is to re-open an office in its home town of Dresden. An agreement to that effect was signed earlier this week between Wolfgang Berghofer, the Mayor of Dresden, and Wolfgang Roeller, the speaker of the bank.

Although Dresdner will now be closer to what it hopes will be the East German "economic miracle," it has had to pay for the pleasure. As part of the deal, it has agreed to put Dm 20m into a special fund to promote culture, science and new building projects in Dresden.

Dresdner is the second of the big three German banks to open an office in East Germany. Commerzbank got in first, at least with its announcement, in East Berlin. Nothing has yet been heard from Deutsche Bank.

Last minute

■ Sign in a bank in New York: "This Christmas give her money. It's always the right size."

Philip Rawstorne reports on the new joint-venture challenge to Kellogg's cereals dominance

The coming battle of the breakfast table

Frosties or Wheaties, Rice Krispies or Cheerios. The challenge to Kellogg being mounted by the alliance of Nestlé, the Swiss foods group, and General Mills, of the US, is going to bring a lot more snap, crackle, and pop to Europe's £1bn breakfast cereals market.

The joint venture, initiated by General Mills and agreed by Nestlé in only 11 days last month, will set up a separate company, Cereal Partners Worldwide, to market ready-to-eat cereals in the fast-growing but Kellogg-dominated markets of continental Europe.

Neither of the two new partners has any illusions about the size of the task ahead. Since it invented the cornflake in 1891, Kellogg has spread its ready-to-eat cereals from its base in Battle Creek, Michigan, across the breakfast tables of 50 countries around the world. It commands the international market it has largely created, with some 40 per cent of global sales, mainly in the US, Canada, Britain and Australia.

Consumption of both hot and cold cereals has reached the highest levels in those "Anglo-Saxon" markets. It has been stimulated in the past decade by a number of trends, identified by Euromonitor, the UK market researcher:

● Increased demand for convenience foods. Large breakfasts cooked at home have become less common due to the increase in working women and smaller households. Instant cereals are also more frequently seen as a snack to be eaten at any time of day.

● Health concerns. Many cereals can be marketed on a health platform without needing expensive reformulations, Euromonitor says. "Mueslis, bran and wheat germ cereals, products with added vitamins and dried fruit, and most recently, oat cereals have enjoyed the most rapid growth during the 1980s."

● Demographic factors. The ageing of the population is encouraging the shift to high-fibre cereals, and the children of the baby boom generation are presenting another opportunity to expand the market.

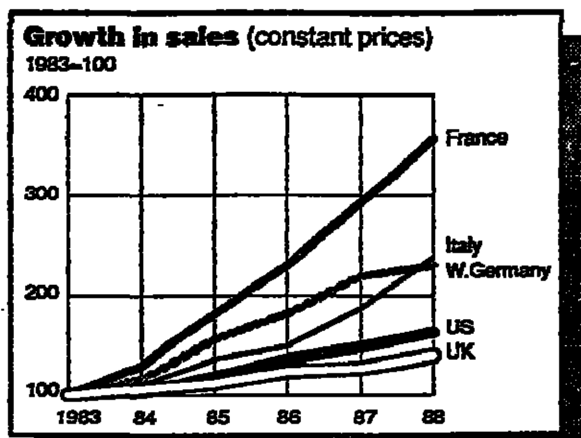
● Supermarket growth. The increasing dominance of supermarkets in food retailing has allowed full ranges of cereal products to be displayed. More than 70 per cent of sales in the US and UK are through supermarkets.

Even in the most mature markets, growth has been impressive. Sales rose from $3.9bn to $6.1bn in the US between 1983 and 1988, and from £440m to £726m in the UK.

Throughout this period, Kellogg has never lost the grip it secured as the pioneer of the industry. Its operations remain tightly focused, with cereals accounting for 90 per cent of sales. The original Cornflakes brand – still the largest worldwide though slowly declining – has been supported by a constant flow of new products such as Fruit 'N' Fibre, Nutri-Grain, Raisin Splitz and Toppas.

Kellogg today has a range of 48 different products – wheat, rice, oats, and corn, flaked and puffed, sugared and unsweetened, mixed with nuts and fruit, flavoured with chocolate or raisin puree.

Growth in sales (constant prices)

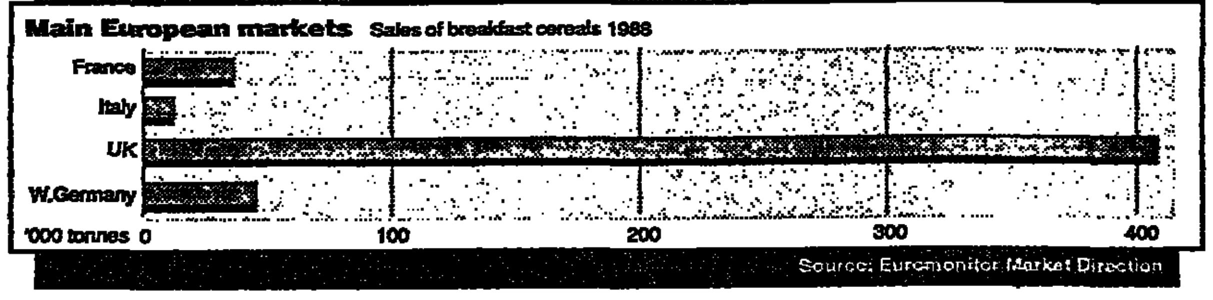


Breakfast cereals market share 1987-88

% value	France	Italy	UK	US*	West Germany
Kellogg	54	48	42	41	42
Quaker	16	18	7	8	-
Nabisco	-	4	8	5	-
Nestlé	12	-	-	-	-
Weetabix	-	6	14	-	-
Banania	9	-	-	-	-
General Mills	-	-	-	23	-
Philip Morris	-	-	-	12	-
Ralston Purina	-	-	-	6	-
CPC	-	-	-	-	8

* cold cereals only

Main European markets Sales of breakfast cereals 1988



Source: Euromonitor Market Direction

It backs them with heavy media advertising. In the US last year, Kellogg spent around $550m on advertising. In the UK, it was the third largest advertiser, spending £45m, nearly three-quarters of the total for breakfast cereals.

Competitors have found such production and marketing strengths daunting. In Britain, where the average person spoons down more than 7kg of cereals a year, the most successful challengers have been the retailers, whose own-label brands have captured 22 per cent of sales against Kellogg's 42 per cent. But even that competition has been fading slightly under the impact of Kellogg's assiduous brand marketing.

Weetabix, a private company, has taken a 14 per cent share with its eponymous biscuit, and with Alpen, the first heavily marketed muesli. Ranks Hovis McDougall, whose Viota subsidiary produces own-label cereals, acquired Nabisco's Shredded Wheat in 1988 for £80m to become the fourth largest player. Quaker Oats of the US and Allied-Lyons, the makers of Ready Brek, dominate the hot cereals corner of the market – but it is a small corner.

In general, Kellogg's competitors in the UK, as elsewhere, have found it difficult staying in the race. In Australia's A$355m (£175m) market, its 43.5 per cent share is double that of its nearest rival, Nabisco.

But Nestlé and General Mills may have chosen the right moment to launch their challenge. In the US this year, Kellogg appears to have stumbled. After years of successfully anticipating the changing demands of consumers, it underestimated both the strength and suddenness of the craze for oat bran which swept the US after reports that it helped reduce blood cholesterol levels.

Kellogg apparently dismissed it as a passing fad, gambled instead on a new sweet cereal, and saw the oat-based Cheerios – from its main competitor, General Mills – sweep up the list of best-selling brands followed by other rival oat products. More marketing initiatives flopped. Kellogg had set its sights on a 50 per cent market share by 1992; instead it saw it fall from 42 per cent to 39. General Mills increased its share to 27 per cent – and, in the view of some analysts, has the impetus to lift it over 30 per cent in the next two years.

Kellogg's president, Horst W. Schroeder, quit. The company announced the suspension of work on a new $1bn cereal plant in Tennessee; and profit expectations were lowered.

Such problems at home must have encouraged Nestlé and General Mills in their bid to test Kellogg's hold on newer, developing markets. Craig Shulstad, director of media and financial relations at General Mills, says: "We see breakfast cereals as a significant growth market in continental Europe . . . We shall focus on Europe first but it is our intention to move out from there worldwide."

By the end of the century, Mr Shulstad estimates retail sales of cereals in Europe will have quadrupled to the present $6bn level of the US.

The UK – which the partners will bypass – at present accounts for nearly three quarters of Europe's sales. Throughout Europe, no nation eats anything like the amount of breakfast cereals downed by the British, as the chart shows. Some industry analysts think that the joint venture's hopes for growth outside the UK may be too optimistic.

Euromonitor reports continuing resistance to cereals as a substitute for coffee and croissants in France, or for the bread, meats, cheese, jam and spreads on which the West German goes satisfied to work.

Those figures, however, disguise the quickening pace of growth in the last few years. Even the French are getting a taste for fast foods – and where the hamburger goes, the cornflake goes too.

The Italians are constantly being hectored by the media to eat bigger and better breakfasts. In West Germany the health and snack trends have been powerful stimulants to consumer demand, which has lifted sales from 23,500 tonnes in 1984 to 37,000 tonnes in 1987. Superstores which stocked an average of 17 cereal products five years ago now display 36.

In France last year, sales topped FFr 1bn (£105m), an increase of 28 per cent on 1987, making cereals the fastest growing grocery products. In Italy, there was a 33 per cent rise in the value of the market to L60bn (£30m).

Kellogg, which has been in continental Europe since the 1950s, has 54 per cent of the market in France where it awakened interest with an advertising campaign that urged the French to "levez-vous pour Kelloggs." It has 48 per cent in Italy and 42 per cent in West Germany.

But Nestlé, which only entered the French market in 1984, has already shown the competitive strength of its brand name by taking a 12 per cent share; and in Portugal's, admittedly tiny, market it is ahead of Kellogg.

Bernard Casal, head of Nestlé food products, is confident that the combined clout of the new joint venture will soon makes its presence felt elsewhere.

"I think we fit perfectly together," he says. The two companies competed in only a few, minor areas. Each had a strong commitment to research and development.

General Mills had the cereals production expertise and technology, and US marketing experience in competition with Kellogg; Nestlé had the brand image, marketing and distribution strengths in Europe.

"I believe we can produce and market our cereal range as a pan-European brand from Gibraltar to the North Cape," he says. "I believe we can grow that way very efficiently. And we are prepared to invest for the long term rather than chase short-term profits."

Charles Gaillard , General Mills's senior vice-president, international foods, will be chief executive of the joint venture company. Some of the US brands will be produced initially in Nestlé's three European cereal plants and will carry its corporate name.

From western Europe, the partners are looking towards the Far East and Latin America, for the future. Nestlé has already taken a bite out of Kellogg in Japan. Fresh opportunities may also begin to emerge soon in eastern Europe.

Wherever they turn, Kellogg will loom large. "But we think there is room for more than one company in this business," says General Mills's Mr Shulstad.

There, as they say, comes the crunch.

LOMBARD

Christmas at the DTI

By John Plender

WHAT AN EXCELLENT pantomime the Barlow Clowes affair would have made for the Department of Trade and Industry Christmas party. No problem – seriously – in distinguishing the goodies from the baddies.

Mr Peter Clowes did, after all, learn his trade in Mr Bernie Cornfeld's crashed IOS group. As this week's highly critical report from the parliamentary Ombudsman points out, his partner until 1978, Mrs Elizabeth Barlow, would have been arrested in 1981 in relation to the collapse of brokers Hedderwick Sterling Grumbar had she not taken the sensible precaution of leaving the country. Both Mr Clowes and Mrs Barlow had been closely associated with the people whose debts brought about Hedderwick's collapse. Quite enough, in fact, to guarantee instant recognition and a prolonged hiss from the audience on every appearance.

But not from Buttons, the very embodiment of the DTI supervisor, who would naturally feign incomprehension at the audience reaction. He would also be very busy failing to spot the fellow with the cloven hoof who was fooling around behind his back – despite frequent calls from alert members of the audience.

Among those committed to audience participation would be the Stock Exchange, which expressed timely misgivings to the DTI about Barlow Clowes's ability to earn the high returns it advertised and of its questionable treatment of clients' funds. The Bank of England warned of illegal dealing and possible fraud. And the Greater Manchester Police were kind enough to ring in with the suggestion that Barlow Clowes was shipping cash abroad in private chartered jets. How, then, to explain Buttons's tunnel vision?

The answer may well be that he did what his political masters encouraged him to do. The various Trade Secretaries who came and went in the course of the Barlow Clowes saga were committed to a less paternalistic view of investor protection than their Labour predecessors. And in its attack on the Ombudsman's report this week the Government emphasised the potential damage to enterprise and initiative of heavy-handed and over-costly regulation.

Whether you agree with it or not, that is an intellectually coherent view. It might also justify the failure, in both the report of Sir Godfray Le Quesne QC and of the Ombudsman, to name the civil servants involved in the case. The Ombudsman may have found what he called "the lack of a sufficiently rigorous and inquiring approach"; but if government ministers created a framework which was likely to ensure precisely that, real responsibility lies with them.

Yet the Government's own words and deeds scarcely support the logic of this position. In its attempt to defend itself against every allegation of maladministration made by the Ombudsman the DTI has descended into sophistry. More important, if the Government chooses to advertise its preference for lax regulation on grounds of cost effectiveness and the encouragement of innovation, it is important to advertise the penalties for imprudent investment. Instead it has denied responsibility and given Barlow Clowes investors access to the taxpayer's hard-earned funds.

The investor protection system has, of course, been tightened up as a result of the Financial Services Act 1986. But there will always be cases which fall between the regulatory cracks. By bailing out investors up to 90 per cent, while simultaneously declaring his belief in light regulation, Mr Nicholas Ridley has achieved the worst of both worlds. The more dubious people in the system have been reassured, while investors have been given a signal that the imprudent pursuit of high returns will always pay in the end.

That is exactly the kind of moral hazard situation that has led, in the US, to the Bush Administration confronting a bill for more than $200bn in the savings and loan industry. Nothing on that scale seems likely in the UK, but this is surely not the moral that pantomimes are meant to convey.

LETTERS

British Steel's assets in the west of Scotland

From Sir Montague Finniston.

Sir, I left the nationalised British Steel Corporation as its chairman in 1976 and since then have played no part in the planning decisions of the board or management. James Buxton has written on the future of Ravenscraig (FT, December 19). Here are three points not made by him which could have a bearing on the outcome in 1994 when the agreement with Ravenscraig ends.

First, Hunterston was built to replace Ravenscraig.

Second, the port at Hunterston can take imported coking coal and ore from anywhere in the world in ships of 200,000 tons to 300,000 tons dead weight and can export finished or semi-finished steel to anywhere in the world.

Third, Ravenscraig or Llanwern on its own cannot be viable with an output of less than 6m tons. Hunterston can be planned to do this and more.

Winston Churchill once said: "It is always wise to look ahead, but difficult to look further than you can see." By Churchill's or anyone else's standards 1992 is not a long way ahead. Will not Ravenscraig then be part of the single European market? What does the privatised British Steel intend to do between now and then with its assets in the west of Scotland?

Monty Finniston,
72/33 Prince Albert Road, NW8

The rules of origin

From Lady Elles.

Sir, The recent judgment of the European Court concerning Brother Typewriters (FT, December 15) should have important consequences on the hitherto restrictive attitude of the Commission when applying rules of origin in anti-dumping cases. It should also lead the Commission to alter its view that, in seeking to adopt a rule for printed circuit boards, only a value-added test will do and that the assembly of a printed circuit board is unsuited as a technical criterion.

The rule envisaged by the Commission is already the subject of opposition in the US and among other trading partners and therefore has wide commercial implications.

The Commission has so far held that mere assembly operations were not sufficient to confer origin; local manufacturing of parts was necessary to obtain local origin. Also, during investigations under the Anti-dumping Regulation, a 45 per cent added value test was being applied so as to determine whether products had local origin.

The court has decided otherwise. In brief, assembly operations can suffice to confer origin. The added value criterion has a purely subsidiary relevance and may only be used where the technical test offers no guidance. Where a value-added test, when appropriate, is applied, it must be on a case-by-case basis. A uniform percentage should not be used. Finally, when applying the value-added test, origin cannot be attributed only where it would appear that the percentage of added value is considerably less that the value added in other countries.

The court's interpretation of the relevant articles of Commission regulation 802/68 should now encourage the Commission to revise its existing practices and adopt an origin rule for printed circuit boards in conformity with the judgment.

Diana Elles,
House of Lords,
Westminster

Parking in London

From Mr Simon Randall.

Your leading article on the Transport Secretary's lack of vision (December 18) contained much good sense. The red route proposals will do nothing to ease London's acute traffic and transport crisis: indeed, they could well make matters worse by enticing even more drivers on to the capital's choked streets.

The London Boroughs Association is a Conservative-controlled organisation, but we have continually made it clear to the Government that its present haphazard and piecemeal approach to tackling the road and rail problems is a disaster. If London is to be the financial capital of Europe in the 1990s it needs a transport system that betters all other European cities, and therefore has to have a firm commitment to major new public transport systems, backed by government money, together with short-term initiatives to promote the use of buses and make better use of existing road space.

One crucial way of achieving this would be to make local authorities responsible for parking enforcement. There are some 330,000 parking offences per day in central London alone, yet some 49 out of 50 offenders go unpunished. The police, quite frankly, have enough to do in dealing with more serious crimes and their very poor parking enforcement records shows that a fresh approach is needed.

By making the operation self-financing local authorities will have every incentive to crack down on offenders and keep the roads clear of obstacles.

Road-pricing is an issue which clearly warrants very close consideration. For Mr Parkinson to dismiss it out of hand on the grounds that it would price poorer drivers off the roads is just not good enough.

Simon Randall,
Chairman,
Housing and Works Committee,
London Boroughs Association,
23 Buckingham Gate, SW1

Africa's statistical problem compounded by inconsistency

From Mr Roger Riddell.

Sir, The tragedy of inadequate statistics on Africa (Lombard, December 14) also puts in question the soundness of donors' policies based on woefully incomplete data.

One problem is that different agencies include different countries in their classification of sub-Saharan Africa. Of more relevance to policy questions is not only that there is a wide discrepancy in the numbers provided for population, trade and growth by different agencies, but that even the same agency publishes data which are often wildly inconsistent.

Michael Holman and the World Bank tell us that there are 45 states in sub-Saharan Africa. By common agreement, this excludes South Africa. But the World Bank also excludes Réunion and Namibia, countries or areas which are included in UN statistics. The International Monetary Fund usually uses data on 44 countries, excluding the biggest, Nigeria. The UN Economic Commission for Africa (ECA) classifies Sudan as part of north Africa, whereas the UN in New York usually does not. UNLDO includes Réunion and Namibia (46 countries); its Global Report omits Angola, while misnaming the sub-region "Tropical Africa." Finally, most of the post-1960s trade statistics for the region published by Unctad omit data from Zimbabwe.

Manufacturing sector statistics for sub-Saharan Africa further illustrate the problems. The World Bank tells us that in 1987 the region's total value added in manufacturing was $19bn, but the ECA gives a figure of $12bn. If you stick solely to World Bank data you will still be confused. In the 1970s the Bank told us that the value added by Côte d'Ivoire's manufacturing sector was 12bn CFA francs in 1965, but by the 1980s it had revised this figure upwards by over 100 per cent to 28bn CFA francs.

We appear to be on firmer ground in arguing that the manufacturing sector in sub-Saharan Africa is poorly developed in comparison with other regions of the world. World Bank figures have consistently shown that sub-Saharan Africa's ratio of manufacturing to total output has hovered around 9-11 per cent from the 1960s to the mid-1980s. According to the bank's 1986 World Development Report, the region was doing only a little worse than all low-income countries whose manufacturing to total output ratio was 15 per cent. Yet the 1988 edition revised the ratio for all low-income countries to 24 per cent, suggesting a huge gap in relative performance. The current report tells us the figure is "not available."

Roger Riddell,
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Regent's College,
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FINANCIAL TIMES
Thursday December 21 1989

REPORTED DEATH TOLL IN ROMANIAN CLAMPDOWN GROWS

Ceausescu defends role of army

By **Judy Dempsey** in Budapest

ROMANIA'S President Nicolae Ceausescu last night blamed "international and terrorist actions" for last Sunday's massive anti-government demonstrations in the north-western city of Timisoara as estimates of the numbers slain grew.

East Germany's official news agency ADN, quoting Romanians living in East Germany with friends and family left in the country, said security forces had killed between 3,000 and 4,000 demonstrators in Timisoara and had continued to suppress protest rallies in more than 10 cities since then.

More than 30 children were massacred by police during the Timisoara riots, according to the Yugoslav news agency Tanjug. The agency said passengers arriving by train from Bucharest at the Yugoslav border town of Vrsac spoke of a massacre before the cathedral of 36 children who were carrying candles in a parade appealling for bread and peace and human dignity.

In the first official Romanian statement on the unrest, Mr Ceausescu, who was speaking on Bucharest radio, said that the events in Timisoara were meant to "provoke disorder and destroy the institutions [in the country]."

Mr Ceausescu blamed what he termed "imperialist, revanchist, irredentist circles and foreign espionage services."

Mr Ceausescu, who had returned earlier in the day from a three-day trip to Iran, staunchly defended the role of the army.

"The military units were obliged to defend themselves


Ceausescu: attacking "foreign espionage services"

and to protect order," he said, apparently aware of the growing international condemnation of the violence.

He added that the army had "shown great patience" and had "fully fulfilled their duty towards the homeland, the people and the socialist achievements." The speech, which was also broadcast on television, coincided with fresh, but unconfirmed reports of more demonstrations in Timisoara.

Mr Caucescu referred to what he called the "anti-national" attacks against Romania which had been "promoted by Budapest and other radio stations" and added that the Timisoara events were prepared in advance by foreign reactionary circles and were part of a larger campaign against all nations that rejected "foreign domination."

He also condemned all those who put themselves at the service of foreign interests and who "are selling their country for a handful of dollars or other currencies." And he called on all citizens to show "full understanding" for the "serious situation" created "by terrorist acts in Timisoara" and to do everything to defend socialism and avoid a repetition of such incidents.

The whole nation, he said, should show "high patriotic and revolutionary spirit," to "strengthen co-operation and unity" and "do everything for freedom, socialist construction, the people's well-being, and Romania's integrity and independence."

In what could now appear to be a mounting challenge to Mr Ceausescu's iron rule, Tanjug, the Yugoslav newsagency, quoting the Yugoslav consulate in Timisoara, reported that more than 50,000 people marched down the streets in defiance of the armed police and guards who sealed off the city on Monday.

It said the police did not open fire. But a Paris-based Romanian human rights organisation yesterday said that the police again used force against the demonstrators.

Yesterday, Mr Gyula Horn, the Hungarian Foreign Minister, told a sombre Parliament that "hundreds had been killed and wounded."

He said Hungarians were shocked by the scale of violence used against the peaceful demonstrators, who had formed a human chain around the home of Father Laszlo Tokes, an ethnic Hungarian pastor who was due to be evicted on December 16 for his support of human rights. His wherabouts are still unknown.

Mr Horn, who was responsible for allowing thousands of East Germans safe passage out of Hungary to the West last September, an event which triggered off the unrest in East Germany, added that the borders between Hungary and Romania were "closed."

Silent testimony to hatred of Ceausescu, Page 2

Tory revolt threatens UK plan for Hong Kong 'refugees'

By **Philip Stephens** in London and **John Elliott** in Hong Kong

RIGHT-WING British Conservative members of parliament and the opposition Labour Party yesterday served notice that they would join forces to attempt to wreck the Thatcher Government's plan to provide full British passports for up to 225,000 citizens of Hong Kong.

Mr Norman Tebbit, a former chairman of the Conservative Party, spoke out vehemently against the scheme as it was unveiled yesterday by Mr Douglas Hurd, the Foreign Secretary, while the Labour Party announced that it would also oppose it.

Hong Kong's business and political leaders last night put a brave face on the British Government's announcement that 50,000 heads of household and their dependents would be issued with full passports. The figure is far below Hong Kong's original demand of full passports for all 3.25m of the colony's 5.6m people who hold partial British passports but have no right of abode.

"I am not saying we are over the moon but it is progress," said Mr Simon Murray, managing director of Hutchison Whampoa, Hong Kong's largest company.

Sir David Wilson, the colony's governor, said the package would provide a "psychological boost." A significant number of people, who would otherwise have left Hong Kong, could stay and contribute to its future prosperity.

The Hong Kong leaders broadly welcomed the announcement as a confidence-boosting measure, fearful that right-wing Conservative MPs might try to have the entire package withdrawn if they condemned it as inadequate. But their fears were anyway realised.

Mr Tony Marlowe, a prominent Tory backbench opponent, warned Mr Hurd: "You will not be forgiven," for opening up the prospect of a new wave of immigration into Britain. Others predicted privately that the Government faced a real risk of defeat on the issue.

Ministers acknowledge the prospect of a "serious" rebellion by some of their own supporters but said the Government was determined to push through the legislation.

Mr Hurd, speaking in the House of Commons, said that it was essential to underpin confidence in the colony before its transfer to China in 1997. In a forceful performance which won him the backing of moderate Conservative MPs, he said that it was also necessary to allow Britain to meet one of its few remaining imperial obligations "with honour."

In an attempt to assuage some of the Government's critics in Parliament Mr Hurd insisted that the aim was not to allow another major wave of immigration into the UK but in fact the reverse. By providing an insurance policy for key personnel it would persuade them to remain in the colony.

The Foreign Secretary added that a collapse of confidence could present Britain with the much bigger problem of a flood of "refugees" from the colony.

His assurances, however, failed to dent the opposition of a number of backbench MPs led by Mr Tebbit. He said that there was virtually nothing in Mr Hurd's statement with which he could agree, and suggested that the Government was reneging on its commitment during the last four general election campaigns that their would be no further large-scale immigration.

Mr Gerald Kaufman, Labour foreign spokesman, said he would oppose the legislation as divisive, unfair and unworkable. Labour opposed the issuing of any full British passports and a future government under its control would not necessarily honour what it regarded as an elitist scheme.

For the Liberal Democrats, Mr Paddy Ashdown said that the proposals fell far short of meeting Britain's obligations to all the citizens of Hong Kong. But a number of minor parties, including the Ulster Unionists, indicated support.

Mr Hurd said that the decisive factor would be "the value of the individual's service to Hong Kong and the extent to which people in that category of employment are emigrating." The Government's expectation is that, within the overall total, about two-thirds of those qualifying will come from the private sector.

Locals unmoved, Page 5

THE LEX COLUMN

No hiding place in the dollar

When the US military machine goes into action, there is a paradoxical tendency to see the dollar as a safe haven. The facts suggest otherwise. In the month after the Libyan bombings, the dollar actually fell by 5 per cent against the D-Mark and 9 per cent against the yen. Yesterday it managed a mere one pfennig rise against the D-Mark in early trading, and that was lost at the end of the day when the Fed gave a broad hint about easing interest rates. Volume was pretty thin in any case, indicating that traders were dismissing the Panama invasion as a little local difficulty. If the affair drags on, opinions could be revised.

The UK market yesterday seemed content to ignore events in Central America in favour of evidence of a slowing economy at home. November's bank lending figures were around a third down on market estimates, with the bonus that distress borrowing seems not to be emerging yet. The GDP figures included many of the right (if expected) statistics: spending on food marginally up, spending on furniture and clothing well down; investment in plant and machinery up 8 per cent on the year, in dwellings down 5 per cent.

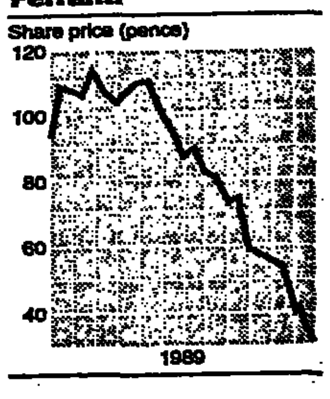
But there is still enough bad news ahead to threaten this rosy scenario for equities - the Ford strike vote, the 4.7 per cent quarter-on-quarter fall in the admittedly unreliable corporate profits figures and the measly 1 per cent rise forecast for manufacturing investment in 1990. The risks of stagflation have not been sufficiently discounted by a market still hovering 3 per cent below its all-time peak.

British Land

A knock-out win for shareholder democracy was over-due in the City; and Mr John Ritblat's scheme to restructure British Land had to be the loser, in view of the way it could have favoured insiders. It would be silly, though, for institutional investors to indulge in a fit of triumphalism. At 392p, British Land's share price is some 23 per cent above its November level, a point worth pondering.

Perhaps that just tells us that the stock market expects a bid for British Land, on the debatable grounds that Mr Ritblat has fired off all his ammunition. Given the outcome of this year's struggle for Hammerson, it would have to be around £1.25bn to succeed; and

Ferranti



therefore might have to come from a consortium including foreign buyers interested in British Land's chunkiest London properties, Plantation House and Euston Centre.

Or the market may just be recognising that British Land will never be the same again. Mr Ritblat and S.G Warburg did everybody a favour by starting a process of actively trying to close the gap between share price and net asset value, with a boldness few large companies could emulate. One hopes egos can be put aside, and that British Land can hammer out some revised proposals.

Tootal

At a time when the UK market is buoyed up by companies making seemingly expensive bids for strategic reasons, it is salutary to see an agreed deal collapse because one side wanted to cut the price to reflect deteriorating trading conditions. A few more deals like Coats Viyella's aborted bid for Tootal would knock off a lot of speculative froth.

It is one thing for companies such as Fletcher Challenge to pay close to 30 times earnings for a depressed UK paper manufacturer. But when CV jibs at paying 13 times earnings for a not-so-depressed textile company, some of the valuations being put on other takeover targets begin to look rather rich. Of course, the bulls would like to believe that the abandoned Tootal bid is a special case, driven by CV's strong bargaining position – it still has 30 per cent of Tootal – and its niggardliness.

There is some truth in this. UK share prices have risen by over 10 per cent since CV came to Tootal's rescue last May; and while the quality and size of Tootal's future profits are debatable, the company could hardly recommend a reduction of perhaps a fifth in the cash price. Tootal's shares are still some 15p higher than they should be without the prospect of another bid. But an eventual merger with CV still seems the most logical outcome.

Ferranti

It is hard not to sympathise with a company whose shares fall nearly 10 per cent on the day of its AGM. In Ferranti's case, sympathy is due more to the shareholders than the management, particularly since the fall was mostly due to reports that no bidder is likely to take the company off their hands. But although demands at the AGM for publication of the Coopers & Lybrand report and the appointment of fresh non-executive directors are perfectly understandable, they are perhaps beside the point. Bidders may be backing away not because they know too little, but because they know too much.

Given the deteriorating outlook for defence spending, a competitor such as GEC might well see its purposes best served by leaving Ferranti to its own devices. But if a bid does come, the market should not expect too much. The chief influence on the share price is not now the hope of a bid but the threat of a cash call equal to 80 per cent of the company's market value. A take-it-or-leave-it offer 10 per cent below the present price of 31p might be hard to refuse.

Buyouts

There is a certain irony about the Takeover Panel's new rules on management buyouts coming out just as Magnet is about to complete its refinancing. The rules are designed to protect shareholders against exploitation by management, an issue which the Magnet buyout did much to bring to public notice. But it has since become sadly apparent that Magnet paid its shareholders more than the business was worth, an error which seems about to cost its chairman his job.

The rules are welcome nevertheless, particularly the obligation to give competing bidders all information which has been granted to the buyout's bankers. Ideally, the same privilege should be granted to the company's owners, not just their non-executive representatives. But that is doubtless too much to hope for.

Lithuanian Communists defy Gorbachev

By **Quentin Peel** in Vilnius

THE Communist Party of Lithuania yesterday voted overwhelmingly to break away from the Communist Party of the Soviet Union in open defiance of Mr Mikhail Gorbachev and of its own Russian-speaking minority.

The delegates voted by 5-1 to become an independent party, no longer bound by the political dictates of Moscow.

The move presents the Soviet leader with his most acute nationalist challenge yet, from within the ranks of his ruling party. He is already under severe attack from conservatives for the political upheaval caused by perestroika.

Speaker after speaker at the extraordinary congress of the Lithuanian Communist Party called for the break with Moscow as a pre-condition for genuine sovereignty, economic autonomy and ultimately outright independence.

"The militant vanguard of the CPSU will never fight for the sovereignty of Lithuania," said Mr Raimundas Kasauskas, a Lithuanian writer. "At last our party has the chance to do something good for the nation. It is the only way for it to remain a social force."

Then, to a storm of applause, he went on to quote Mr Gorbachev on Eastern Europe: "Every nation has the right to choose its own way of development," he said. "This applies to all Eastern European nations, including us. We are no worse than any other nation in Eastern Europe. The absolute majority of Lithuanian Communists are for a completely sovereign party."

However, the virtual unanimity of Lithuanian Communists was matched by a furious rearguard action by Russian- and Polish-speaking members of the local Party.

"If sliding in this direction continues, then certainly a terroristic regime will be established in Lithuania," said Mr Ivan Kuchirov, a lecturer in the Communist Party higher school. "The tension is very great. I am afraid that we shall lose all the main values of democracy."

But the delegates rejected calls for a referendum of all party members before they decided on a final move to independence from Moscow. They also ruled out an alternative proposal to seek "party sovereignty within the CPSU."

"A sovereign party within the CPSU is like being a sovereign goldfish in the belly of a whale," said Mr Algis Cekuolis, a newspaper editor.

The congress was told that an opinion poll showed 61 per cent of all Lithuanian Communist Party members in favour of outright independence from Moscow, against 19 per cent for a confederal party relationship, and 12 per cent who opposed a split.

Mr Gorbachev must decide how to respond to the breakaway and, in particular, whether to recognise the new party, accommodate it, or expel it.

Mr Algirdas Brazauskas, the Lithuanian Party leader, has called for a careful transitional period and suggested a confederal party structure, allowing all the republics to have effective political autonomy and an equal say in the ruling Politburo.

McDonnell in $3bn S Korean contract

By Maggie Ford in Seoul

McDONNELL Douglas, the US aerospace and defence group, has been awarded a $3bn contract to supply 120 F/A-18 Hornet fighter aircraft to South Korea. The contract, which involves assembly and co-production of 108 fighters and the purchase of 12 off the shelf, is expected to provide a big technological boost to the South Korean aerospace industry.

McDonnell Douglas has been competing for the contract with General Dynamics, also of the US, which offered its F-16 fighter jet. The twin-engined F/A-18 is more expensive but more technologically advanced than the single-engine F-16, although the latter has the advantage of being already in use by the South Korean Air Force.

Both US companies faced hard bargaining by the South Korean Government over offset arrangements and technology transfer during five years of negotiation.

The award of the contract became a political issue when Mr Robert Mosbacher, the US Commerce Secretary, expressed concern in Seoul that the initial terms of the government-to-government deal on the purchase were too favourable to South Korea.

US congressmen also attempted to compare the contract with a controversial co-development plan agreed between the US and Japan to produce the FSX fighter where the two countries will jointly develop new technology.

Concern that the US would lose its competitive edge to Japan led to a row which soured US-Japanese relations. Analysts pointed out, however, that the South Korean deal involves technology developed 10 years ago and that the aircraft have already been co-produced in other countries.

The decision to buy the F/A-18 suggests that the South Korean Government is keen to purchase the highest possible level of technology and that the role of its air force may become more flexible.

The F-16, according to General Dynamics, is an ideal aircraft for providing air cover in the event of an invasion from communist North Korea. The F/A-18, originally developed as a navy fighter, can operate from aircraft carriers.

Czech Party blames its former leaders

By John Lloyd in Prague

THE COMMUNIST Party of Czechoslovakia yesterday began democratisation in the now traditional method of blaming a clutch of old leadership figures for "distortions of socialism" and pledging its fidelity to pluralism.

Mr Karel Urbanek, general secretary for the past month, in his keynote speech to the extraordinary party congress, singled out in particular Mr Milos Jakes, his immediate predecessor, and Mr Miroslav Stepan, the Prague party boss until three weeks ago. He accused them of "punishable negligence and irresponsibility" following the November 17 demonstration during which Interior Ministry police clubbed down the mainly student demonstrators.

A special commission is still investigating responsibility for the decision to use force and it is widely believed that Mr Jakes and Mr Stepan may face imprisonment. They have already been dismissed from party membership.

Mr Urbanek also named Mr Jan Fojtik, former chief of ideology, and Mr Vacil Bilak, a former Politburo member dismissed from the Central Committee on Monday, as part of "the small group which controlled the crucial decisions for the party and for society".

The Party has lost 66,000 members over the past month and more than 300 local branches have been closed.

The reformers, grouped together in the Democratic Forum of Communists and reckoning on the support of between a quarter and a third of the 1,530 delegates attending the congress, are sceptical of the depth and sincerity of the sudden switch to democracy. They were pointing last night to Mr Urbanek's attempt, in a brief comment in his speech, to lay some of the blame for the November 17 demonstration on those who took part. Elections were being held late last night for a new party leadership, with Mr Ladislav Adamec, the former Prime Minister, and Mr Vacil Mohorita, a Politburo member and former chairman of the Communist youth movement, as the main contenders for the new post of party chairman, which will replace the title of general secretary as the supreme official in the Party.

Mr Urbanek, whose speech was given a lukewarm reception, is expected to run for the new post of First Secretary.

However, the Democratic Forum was considering withholding support from any of these candidates, on the grounds that they were all compromised by their past actions or inactions.

Evidence of the Democratic Forum's standing in the Party was furnished by its being granted the opportunity to give its own press conference.

Mr Rudolf Prevratil, a member of the 14-strong organising committee, said that he accepted that Communists would have no share in the shaping of Czechoslovak society and economy over the next 10 years but that "the wave of neo-conservatism is now dying out, and we Communists will have a part to play in the revival of the left – though not, thank God, a monopoly position again".

The Congress is expected to debate the presidency at its session today although a solid consensus has now formed behind Mr Vaclav Havel, the playwright and leader of the Civic Forum movement.

In a newspaper interview, Mr Havel disclosed that he had talked with Mr Alexander Dubcek, the former party leader toppled by the Warsaw Pact invasion in 1968.

They discussed a role for Mr Dubcek in the new administration.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	[illegible]	[illegible]	Dubrovnik	C	18	64	Malta	S	18	64	Rhodes	S	18	64
Algiers	S	23	73	Edinburgh	C	4	39	Manchester	C	10	50	Rio de J'o	-	-	-
Amsterdam	R	10	50	Faro	-	-	-	Manila	-	-	-	Rome	F	16	61
Athens	S	18	64	Florence	F	17	63	Melbourne	F	18	64	Salzburg	F	8	46
Bahrain	S	18	64	Frankfurt	R	8	46	Mexico City	-	-	-	San Francisco	C	7	45
Bangkok	-	-	-	Funchal	-	-	-	Miami	Fg	21	71	Seoul	-	-	-
Barcelona	F	15	59	Geneva	S	11	52	Milan	F	9	48	Singapore	-	-	-
Beirut	-	-	-	Gibraltar	F	17	63	Montreal	Sn	-18	0	Stockholm	S	0	32
Belfast	C	6	43	Glasgow	C	3	37	Moscow	C	4	39	Strasbourg	C	11	52
Belgrade	S	13	55	Guernsey	C	13	55	Munich	F	8	46	Sydney	S	28	82
Berlin	C	7	45	Helsinki	C	0	32	Nairobi	F	25	77	Taipei	-	-	-
Biarritz	F	18	64	H. Kong	C	20	68	Naples	C	16	61	Tangier	S	19	66
Bombay	S	29	84	Innsbruck	F	5	41	Nassau	-	-	-	Tel Aviv	S	18	64
Bordeaux	F	16	61	Inverness	C	2	36	New Delhi	R	15	59	Tenerife	S	25	77
Brussels	C	12	54	Islamabad	-	-	-	New York	S	-6	21	Tokyo	S	11	52
Budapest	S	11	52	Istanbul	S	15	59	Nice	C	13	55	Toronto	S	-13	9
B. Aires	C	27	80	Jakarta	R	32	90	Nicosia	S	19	66	Tunis	S	18	64
Cairo	S	22	72	Jersey	C	13	55	Oporto	C	16	61	Valencia	F	16	61
Cape Town	C	19	66	Jo'burg	S	29	84	Oslo	S	0	32	Venice	S	12	54
Caracas	-	-	-	Lima	-	-	-	Paris	F	13	55	Vienna	C	11	52
Casablanca	S	23	73	Lisbon	F	17	63	Peking	S	1	34	Warsaw	S	6	43
Chicago	S	-19	-2	London	C	14	57	Prague	R	5	41	Washington	S	-5	23
Cologne	R	9	48	Los Angeles	S	9	48	Reykjavik	S	-10	14	Zurich	F	11	52
Copenhagen	F	4	39	Luxembourg	R	8	46								
Corfu	F	17	63	Madrid	S	12	54								
Dallas	S	-8	18	Majorca	S	18	64								
Dublin	R	8	46	Malaga	S	15	59								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

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COMPANIES & MARKETS
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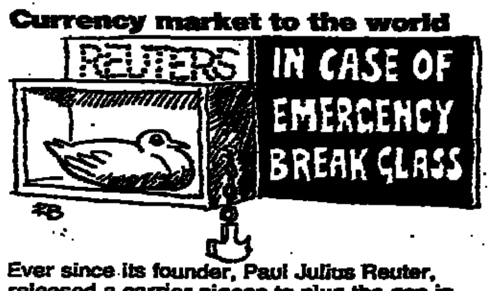
INSIDE

Overseas buyers move into Toytown

First there was Corgi; then Kiddicraft. No sooner had the ink dried on the deal to sell die-cast model car maker Corgi to Mattel and Hestair, the personnel services and consumer products group which last week agreed a £192m bid from BET, the business services company, had sold its Kiddicraft toymaking subsidiary for £13m. The disposal to Quaker Oats, the Chicago food and toy group which already owns Fisher Price, is part of Hestair's strategy of focusing on its core personnel services businesses. Coming after the Corgi deal, it marks a further step in the sale of UK toy companies to overseas buyers. Page 28

Currency market to the world



Ever since its founder, Paul Julius Reuter, released a carrier pigeon to plug the gap in the European telegraphic system in 1849, Reuters, the news and information organisation, has prided itself on reaching far-flung parts of the globe. More than a century after the flight of the carrier pigeon, in 1971, came the breakdown of the Bretton Woods system of fixed exchange rates. And — ever quick to exploit new markets — Reuters soon afterwards launched a screen-based exchange rate quotation service. To many people, Reuters is now the world's foreign currency market. Rachel Johnson reports. Page 19

Plenty to smile about

Many people would not be too happy about the acquisition of a stake in their business by a foreign country. But Banco Central, Spain's largest industrial bank, has plenty of reason to be pleased by the acquisition of a 3.5 per cent stake in it by Bouygues, Europe's largest construction company. For, while the FFr900m deal gives the company important access to Spanish financial and industrial circles at a time when the country is embarking on a massive investment in infrastructure, it also brings a friendly shareholder to the bank, whose management has long been seeking to strengthen its hand against an unfriendly minority investment group. Page 16

Eagle takes to the road

AA Insurance Services, the leading UK personal lines broker with 1.5m motor and 500,000 household policies, was already a tied agent of Eagle Star. But — saying that the Financial Services Act had made it difficult to produce life products suitable for AA customers — it yesterday forged a stronger link with the UK composite insurer that is a subsidiary of BAT Industries. Eagle Star did not disclose the price it had paid for the 24 per cent stake in the AA's insurance and financial services arm, but it did say that the joint venture with the AA would enable it to sell life and investment products to the AA's 7m members and insurance customers. Page 20

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Daimler-Benz	713.8	+	23.8
Karstadt	661	+	17
Kaufhof	664	+	11
Megal'schaft	567	+	20
Siemens	665.5	+	13.6
Volkswagen	518.5	+	9
Esso Franc	669	+	64.7
Fives Lille	381.8	+	30.6
Fromageries Bel	2590	+	141.4
Falls			
Drout Ass	360	−	18.9
Ingenico	135	−	5.8
NEW YORK ($)			
Rises			
Alexander's	53¾	+	3⅞
Campbell Soup	54⅛	+	1⅞
Tesoro Pet	9½	+	¾
Falls			
Coca-Cola	77⅛	−	1⅞
IBM	94⅞	−	⅞
Walt Disney	113¼	−	10⅞
PARIS (FFr)			
Rises			
CCF	1320	+	92
TOKYO (Yen)			
Rises			
Iwasaki Elect	2650	+	400
Japan Wool Text	3300	+	400
Katakura Inds	6900	+	590
Nisho Iwai	1180	+	90
Mitchitsu	1530	+	120
Toyo Seikan	3680	+	380

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
ASDA	112½	+	3½
Baileys	149	+	8
Blue Circle	242	+	6
Body Shop	568	+	20
Calor	428	+	9
C.U.	519	+	16
Eurotunnel Uts	573	+	25
Glynwed Int	266	+	5
Metal Closures	181	+	9
Ratners	252	+	7
Rosehaugh	518	+	46
Smithkln Bchm	588	+	8
Falls			
BTR	462	−	3
Blue Bird Toys	150	−	30
Carlton Comms	845	−	10
Runciman W	440	−	20
Saatchi	235	−	14
VSEL Consrt	394	−	9
Western Motor	394	−	8
Yellowhammer	65	−	6

Gillette buys into Wilkinson Sword

By Robert Taylor in Stockholm

GILLETTE, the US-based world leader in razors and blades, is to buy all of shaving products rival Wilkinson Sword's operations outside the European Community. Gillette will also have a significant minority interest in Wilkinson's EC operations after yesterday's sale by Stora of Sweden of its consumer products businesses to a Scandinavian-US consortium.

Wilkinson's non-EC sales accounted for about 40 per cent of total turnover last year of SKr1.4bn ($223m). Gillette was prevented by competition rules within the EC from buying Wilkinson's global business.

Yesterday's $630m sale by Stora, Europe's biggest pulp and paper producer, involved not only Wilkinson, but also matches, including Bryant & May in the UK, and disposable lighters. All were bought as part of Stora's SKr5.9bn purchase of Swedish Match in May last year.

Gillette is to have 24.9 per cent of the equity in the new enterprise but no voting rights or seats on the board. It is paying $70m for Wilkinson's non-EC business. Yesterday's sale marks the fourth time Wilkinson has changed hands since 1973.

JP Morgan Capital Corporation of the US will have 22.9 per cent of the equity in the new company, but most of that will also be non-voting.

More than 90 per cent of the voting rights will be held by the Scandinavian, mainly Swedish, members of the consortium. SPP, the Swedish insurance company, will have 20.2 per cent of the equity. Other owners include the Skandia insurance company (9.8 per cent), Kjobenhavns Handelsbank in Denmark (8.7 per cent) and Sweden's Spira Invest.

The new company will be domiciled in the Netherlands with its operating management in Switzerland, Swedish Match's base before the Stora takeover.

Mr Massimo Rossi of Swedish Match will continue as president and chief executive officer. He said yesterday the deal was the "best possible solution" because it preserved Swedish Match as an independent entity with a continuity of management.

The new company, however, would divest its non-European operations over the next two years to concentrate on the EC market, which already accounts for 70 per cent of its business.

Mr Bo Berggren, Stora's president and chief executive officer, said the "beauty of the solution" was that it "fulfilled all the priorities of the parties concerned."

The fact that the new company would be controlled by a Swedish-dominated consortium was a relief to the Swedish government and trade unions, he added. They had feared Stora's sale might have weakened the Swedish identity of the consumer product business.

Consumer products made up 20 per cent of the annual turnover of Swedish Match before its acquisition by Stora. Swedish Match accounts for a quarter of the world's sales of matches. It is one of the three leading producers of disposable lighters, where its brands include Clipper, and in the top four in shaving products.

Last year, it had sales of SKr5.37bn and profits after depreciation of to SKr305m. In the first eight months of this year, Swedish Match reported turnover of SKr2.62bn and operating profits of SKr190m.

Stora announced its disposal intentionsin June. Mr Berggren said it had taken difficult and complicated discussions to complete the deal, mainly because Swedish Match had more than 100 legal articles covering its operations in 36 countries.

Alan Harper

Projecting an image of being concerned and regretful: Sir Derek Alun-Jones, chairman, leaves Ferranti's annual meeting yesterday

Ferranti family pushes for publication of report

By Hugo Dixon in London

THE BOARD of Ferranti International came under attack from the Ferranti family yesterday. At a reconvened annual general meeting the directors were criticised over the way they are handling the crisis that has engulfed the UK defence electronics group.

The family trust said it would be taking legal advice to see if it could force the company to publish a report into a £215m ($344m)fraud Ferranti says it has suffered. The group commissioned the study from Coopers & Lybrand, the accountants.

A version of the C&L report has already been made available in confidence to companies considering bidding for Ferranti and the family is worried that potential bidders would have more information than shareholders.

Mr Ian Mackeson-Sandbach, an executor of the late Mr Basil de Ferranti's estate, which owns over10m shares, less than 1.5 per cent of the total, also pressed the company to take on new directors who had "not been associated with previous disasters." He said, after the meeting, that he was not asking for a whole-scale sacking of the board, but thought it was essential that a few extra directors were in place before important decisions were taken on the company's future.

Mr Adrian de Ferranti, one of Mr Basil de Ferranti's sons, was highly critical of Sir Derek Alun-Jones, the company's executive chairman, at the meeting. He said later: "I think it is right and proper that he should go."

Sir Derek defended the company's decision not to publish the C&L report on the grounds that Ferranti would be using it widely in litigation it is planning to recover lost funds.

But he said: "I certainly wouldn't want to remain if a substantial proportion of holders was not supporting the board."

All the resolutions at the meeting were passed, including the re-election of three directors, although in each case there were large numbers of abstentions. The meeting also agreed to change the company's name from Ferranti International Signal to Ferranti International.

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Laughter among the tears

Ferranti's annual meeting was so full of hilarity that one almost forgot the plight the defence electronics group finds itself in.

The star of the show was Dr David Sofaer, a private shareholder who has quadrupled his stake in Ferranti in the months since the company announced that it had been defrauded of £215m.

He began by saying what a splendid company Ferranti was and by telling Sir Derek Alun-Jones, the group's chairman, how heartened he was, as a senior physician, by how well Sir Derek looked.

"Let me urge you never to sell the seed corn," he continued, warming to his theme. "You can always ask us for money, and I would be willing to fork out." It was difficult to say how much was genuine, how much ironic.

But Dr Sofaer did take issue with the size of the name plates each director had in front of him. They were so small, he said, that "nobody without binoculars could decipher them. I wonder if there is any purpose in that. If there is such a purpose, I suggest they hide under the table."

Finally, he said it was very strange that uncovering the fraud had taken so long. The affair "reminds me of a doctor friend of mine who had all his shirts stolen by his cleaner and only discovered this when he had one more shirt to wear."

Sir Derek and his board found a number of supporters among its shareholders.

Mr David Warner, for example, argued against replacing the board on the grounds that: "The people who got into this mess are best placed to sort it out."

But the majority of questions were critical.

"The names Jones and Ferranti constitute a case study at a well-known business school in this country — about how not to run a business," claimed Mr Alex Golding.

And Mr Roy Fraser of Bank of Scotland Nominees cross-questioned Sir Derek about why Ferranti had failed to announce the sale earlier this year of 32m shares by Mr James Guerin, its former deputy chairman.

This question rather flummoxed Sir Derek, although he handled the rest of the meeting gracefully, managing an occasional joke of his own. He projected an image of being concerned and regretful, though he was careful not to admit any personal blame for what had happened.

British Land scraps proposals

By Nikki Tait in London

AN INSTITUTIONAL revolt over the controversial restructuring scheme put forward by British Land has obliged the large property group, headed by Mr John Ritblat, to withdraw its proposals.

British Land's decision, announced yesterday morning, came just 24 hours before the deal was due to be put to a shareholders' meeting. Formally, the meeting will still go ahead but the resolution will not be put forward.

A statement from British Land said only that a "significant minority" of shareholders had indicated that they would vote against the proposals.

However, it seems that the property company stood little chance of gaining sufficient support for the deal to go through.

It would have needed 50 per cent of shareholders' votes to have been in favour.

Considerable opposition surfaced over the past week, with a number of large life offices and pension funds registering public dislike of certain aspects of the scheme.

On Tuesday night, Robert Fleming Asset Management, one of British Land's two biggest shareholders, with 7.34 per cent stake, also decided to vote against the restructuring proposals.

The other major shareholder, Mercury Asset Management, was due to reach a decision by early yesterday morning.

However, S. G. Warburg, advising British Land, claimed that the decision to withdraw the proposals was made without knowing MAM's intentions, and would have been unaffected by them.

Yesterday, a number of fund managers who had been unhappy about the small print of the restructuring said that they welcomed British Land's move — one of the most dramatic climbdowns by a company in face of institutional pressure in recent years.

"I'm very pleased that they've taken our views on board," commented one Scottish life office.

Nevertheless, a number of institutions added that they would still like to see a modified version of the scheme go ahead.

"I hope it's not going to die," remarked one insurance company fund manager. "But it's highly complex — you get into horse-trading and you'll never get all institutions agreeing on what is acceptable."

Shares in British Land ended unchanged at 392p.

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Japanese clothing group takes majority holding in Hugo Boss

By Haig Simonian in Frankfurt

HUGO BOSS, the West German men's fashion group, has sold a majority of its ordinary equity to Leyton House, a Japanese concern. Shares in Boss were suspended on the news.

The group first floated its preference stock four years ago, and has risen to prominence under Mr Uwe and Mr Jochen Holy, two brothers who revitalised the Swabian clothing manufacturer.

Speculation about Boss's future gained ground last week amid rumours that Courtaulds, the UK textiles company, was planning to take a majority stake. The story was denied by both sides.

Leyton House is a private Japanese company, owned by Mr Akira Akagi. It specialises in sports and leisure wear.

Neither the precise size of its stake in Boss, nor the price paid, were revealed. In a terse announcement, Boss said the aim of the deal was to improve its access to the Pacific market.

Along with North America, where it bought a 75 per cent share in Joseph & Feiss, the US quality menswear group, for DM220m ($127.2m) earlier this year, the Pacific was one of the most important areas for future growth, it said.

Attempting to dampen speculation about its future course, Boss said profits and sales for this year were on target. Moreover, the two Holy brothers would remain on the board.

Reflecting its US acquisition, Boss's sales in the first half of this year rose by 44 per cent to DM413.5m while net profits in 1988 jumped by 49 per cent to DM33.6m.

Analysts in Frankfurt viewed the sale as almost inevitable, given the Holy brothers' interest in resolving tax and inheritance issues ahead of new German laws, which will remove tax breaks on the sale of family-owned companies from next year.

Last May the brothers took what some analysts saw as a first step in that direction by issuing 20 per cent of the company's ordinary shares on the market to supplement the preference shares first floated in late 1985.

"In the end, the offers they received were probably so high they couldn't say no," said Mr Hans-Peter Wodniok, head of research at James Capel in Frankfurt.

Ordinary and preference shares in Boss, which were suspended at DM1,590 and DM1,320 respectively, may climb sharply when trading restarts. "I will be absolutely surprised if they don't jump by 10 per cent when trading reopens," said one analyst.

SmithKline sells UHU for $156m

By Andrew Bolger in London

SMITHKLINE BEECHAM, the Anglo-American pharmaceuticals and consumer products company, yesterday announced the sale of its worldwide UHU Adhesives business for DM269m ($156m).

It is being bought by HSG-Vermogenverwaltungs, a new Frankfurt-based consortium comprising the present management of UHU, two industrial investors and Citicorp Venture Capital. The industrial investors are the Fabell-Castell Corp, the current distributors of UHU in the US, and Bolton Developments, which is involved in the distribution of UHU in Italy.

The disposal follows the merger of the Beecham Group and the SmithKline Beckman Corporation at the end of July. The enlarged company is giving increasing emphasis to the development of its international healthcare business.

Analysts said the price obtained for UHU was above market expectations and SmithKline's shares closed 8p higher at 588p. Between 1986 and 1987, Beecham disposed of a number of home improvement businesses in the UK, continental Europe and the US. With the sale of UHU Adhesives, SmithKline will have completed its withdrawal from this product category.

The UHU business is based at Buhl, near Baden-Baden in West Germany, where it was first launched in 1932. UHU, which was acquired by Beecham in 1970, makes and markets a range of household adhesives sold in some 50 countries, including France, Italy and the US.

UHU had annual sales of £43m in the year to March 31. Of the total bid consideration, DM250m will be paid in cash and the remainder will be payable by vendor notes maturing during the next seven years.

SmithKline is still seeking a buyer for its cosmetics division which it intends to split into two units, covering the UK and continental Europe. These have annual sales of about £240m and £160m.

● SmithKline said a reorganisation of the enlarged group's pharmaceutical operations in West Germany would involve the ending of production at Gottingen. Munich will be head office and Gronau, near Hanover, will be the centre for production and distribution. Neuss, beside Düsseldorf, has been chosen as the centre for pharmacological research.

INTERNATIONAL COMPANIES AND FINANCE

Wärtsilä may merge with building materials group

By Enrique Tessieri in Helsinki

LOHJA, the Finnish building materials and electronics group, has bought a 20.2 per cent stake in Wärtsilä, the Finnish diesel engines, security and sanitary equipment group, and the two companies are considering a merger .

The potential deal comes only two months after Wärtsilä's marine division, one of Europe's largest privately-owned shipbuilders, filed for Finland's biggest ever bankruptcy.

"Even if we've purchased 20.2 per cent of Wärtsilä, we are studying the possibility of merging both companies," said Mr Georg Ehrnrooth, president and chief executive of Lohja.

"It is still unclear how these companies will merge; if Wärtsilä will merge into Lohja or Lohja into Wärtsilä," he added.

Mr Ehrnrooth said both companies would sign a letter of intent to merge by next spring and that "the actual merger would take place 6 to 8 months after this decision."

Lohja's minority stake in Wärtsilä is valued at FM802m ($195.32m), and took place through the issue of 1.5m restricted series I shares at a price of FM535 apiece.

In return Wärtsilä will pay FM425m for 50 per cent of Ovako Steel, a Finnish-Swedish specialised steel group, and a cash sum of FM377m.

Analysts speculate that Lohja's recent foothold in Wärtsilä probably means that the wealthy Ehrnrooth family, which has stakes in large Finnish companies such as Lohja and Ovako Steel, may be jockeying for a strong presence within the new company to be formed between Lohja and Wärtsilä.

The Lohja-Wärtsilä deal has also caused a major shake up within Wärtsilä's management. Mr Pekka Laine, the president and chief executive of Wärtsilä Corporation, has turned in his resignation, that will be effective after December 31.

At an extraordinary board meeting to take place on January 15, all Wärtsilä's board members have agreed to give up their seats.

"Wärtsilä Marine has triggered the present situation," said Mr Klaus Gronbärj, the new acting president of Wärtsilä Corporation from January 1 1990 until the merger materialises.

"After we lost our shipbuilding sector we lost our identity. Our relationship with Lohja helps us find a new identity in the building materials sector. This reality will allow us to be competitive in Europe as well."

According to Lohja officials, if both companies merge their combined turnover will amount to around FM10bn and they will jointly employ 15,000 to 16,000 persons.

Ericsson and Nobel launch joint company

By Robert Taylor in Stockholm

ERICSSON, the leading Swedish telecommunications group, and Nobel Industries, the Swedish industrial and defence products company, announced yesterday that they intended to work together in the manufacture of command and control systems through the creation of a joint company Bofors Electronics AB.

The new company, which will come into effect on January 1 1990, will be 80 per cent owned by the Bofors company and the rest by Ericsson. It means the concentration of Bofors electronics with Ericsson's radar electronic division and control systems.

It will take responsibility for the development, manufacture and marketing of advanced electronic systems for defence and civil applications. The annual turnover of the two units together amounts to $210m.

Commenting on the merger Mr Bjorn Svedberg, Ericsson's chief executive officer said: "Those projects which are of interest in the command and control systems demand an investment in engineering talent. A co-ordination of the expertise that is available in Sweden is thus a logical and natural step to take."

Mr Anders Carlberg, Nobel Industries chief executive officer, said that the merger opened the way to "gains through rationalisations, in comparison with the non-merger option."

Mr Carlberg added: "These will primarily manifest themselves in a more effective use of the base technology and development resources, as well as the avoidance of duplication."

Up until now command and control systems development and production in Ericsson and Nobel has been complementary, with an emphasis in Ericsson on air defence and civilian air traffic control and in Nobel on naval systems.

There was , however, a risk of duplication in recent command and control system projects for the Swedish air force, which will now be avoided as a result of the merger

Bouygues buys into Spanish bank

By William Dawkins in Madrid

BOUYGUES, Europe's largest construction company yesterday paid just over FFr900m ($151.77m) for a 3.5 per cent stake in Banco Central, Spain's largest industrial bank.

The deal, the fruit of seven months of secret negotiations, gives Bouygues vital access to Spanish financial and industrial circles at a time when the country is embarking on a massive investment in infrastructure.

It also brings a friendly shareholder to the bank, whose management has long been seeking to strengthen its hand against an unfriendly minority investment group.

"This marks a fundamental stage for our group in its European development," said Mr Martin Bouygues, who three months ago took over as group chairman after the retirement of his father, Mr Francis Bouygues, and will now take a board seat at Banco Central.

The purchase makes Bouygues the second largest shareholder in the bank after Cartera Central, the investment group which holds 12.5 per cent and which has been continuously critical of Banco Central's management.

The bank has an immense industrial portfolio, worth the equivalent of FFr7bn, in sectors stretching from petrochemicals to private motorways, mining and steel production.

Mr Alfonso Escamez, Banco Central president, who warmly welcomed the deal, said they would also be seeking joint projects throughout Europe.

For the bank, the gains from the share sale will also help this year's profits, which rose to the equivalent of FFr3.2bn pre-tax for the first nine months to the end of September from FFr1.7bn after tax for the whole of 1988.

Bouygues estimates that a mere FFr740m of its FFr56bn turnover will come from Spain in 1989, but aims to turn that into "several billion" within the next few years, according to Mr Olivier Poupart-Lafarge, the French group's finance director.

"Our aim is to make a financial investment which manifests our confidence in the Spanish economy," said Mr Poupart-Lafarge.

Bouygues said it was too early to identify precise projects in which it might get involved.

The biggest immediate possibility was a proposed express rail link between Madrid and Barcelona. The Spanish Government is expected to ask for tenders soon for the project, worth an estimated FFr10bn.

Other big projects in the Spanish pipeline include the construction needed for the Barcelona Olympics in 1992, an international exhibition to be held in Seville in the same year, and the upgrading of the country's motorway and telecommunications networks.

Banco Central made the initial approach last June, when Bouygues was drawn to its attention by stock market rumours that the French company was preparing an approach for Dragados, Spain's largest construction group, in which the bank holds a stake of just over 10 per cent. Bouygues denies having bought any Dragados shares.

This is not the first link between the French construction group and a big financial services company.

Early this year, Nippon Life, the Japanese assurance group, took a friendly 2.2 per cent stake, from which Bouygues executives hoped to gain financial and industrial connections and assistance in the Far East.

The French group will be open to further agreements of this kind, said Mr Poupart-Lafarge.

This is the second big strategic step for Bouygues since the new chairman took over in September, even though the negotiations with Banco Central have a longer history.

In October, the French company paid FFr1.4bn for a 70 per cent stake in Grands Moulins de Paris, France's biggest producer of flour and owner of valuable industrial property near Paris.

Magnet to announce refinancing details

By Maggie Urry in London

MAGNET, the UK kitchen and do-it-yourself retailer, is on the verge of announcing details of its refinancing, arranged with its bankers.

The deal is expected to require the departure of Mr Tom Duxbury, the group's chairman, and could be announced today. Already, Mr Albert King, the finance director, has left the group.

Mr Duxbury, an extrovert believed to be largely responsible for the group's earlier success, led a controversial £629m management buy-out of the company in July this year. But almost from the start the buy-out ran into difficulties when trading conditions worsened.

Bankers Trust, the bank which led the buy-out financing, was unable to syndicate the £550m of debt involved, leaving all of it on the books of the nine banks which underwrote it. In New York, Bankers Trust said this week it was taking a $150m fourth-quarter charge covering two corporate loans, one of which was the Magnet loan.

Magnet suffered as rising interest rates affected consumers' willingness to spend on big-ticket items, and the slump in house moves – when many people buy new kitchens – hit Magnet's sales.

These trading problems have also hit other highly-indebted retailers such as Lowndes Queensway, the furniture and carpet retailer, and MFI, the kitchen and bedroom specialist, both of which have returned to bankers to restructure their finances. Lowndes Queensway secured its second refinancing – worth £70m – at the end of last week.

In October Magnet revealed that ambitious profit targets forecast at the time of the buy-out, including profit increases of 15 per cent a year, could not be met and that talks with bankers were starting. Its shares were suspended then. Mr King left in early November.

Iveco joins with Nissan Diesel to produce engines

By John Wyles in Rome and Kevin Done in London.

IVECO, Fiat's commercial vehicle subsidiary, is joining forces with Nissan Diesel, one of the leading Japanese truck makers, to develop a new range of medium-sized diesel engines.

The deal is the first important co-operation project between European and Japanese truck makers.

Mr Isamu Kawai, president of Nissan Diesel, an associate company of Nissan Motor of Japan, said the joint development programme was aimed at cutting lead times, as well as at reducing costs and risks.

The companies aimto achieve a reduction in diesel engine noise and pollution levels, while also improving power output and fuel consumption for a range of engines of 6-8 litres.

Fiat said that it was expected that Nissan Diesel would manufacture the engine in Japan, while Iveco would produce it in Europe starting in the mid-1990s.

KKR may put builder into bankruptcy

By Anatole Kaletsky in New York

KOHLBERG Kravis Roberts, the leading US leveraged buyout firm, yesterday threatened to put one of its businesses into bankruptcy.

Jim Walter, a Florida housebuilder which KKR last year acquired in a $2.4bn buyout, said it might "have no alternative" but to file for voluntary bankruptcy protection next week.

The deadline relates to the December 27 expiration of an offer to exchange $624m worth of Jim Walter bonds which the company cannot repay.

KKR originally planned to repay the bonds by January 1, 1990. But Jim Walter has been unable to raise the cash required to repay them because of an unexpected lawsuit in the Texas courts, claiming damages of up to $3bn for past asbestos liabilities. KKR claims the suit is without merit, but the plaintiffs have succeeded in freezing asset disposals by Jim Walter.

Now KKR seems to be caught in a vicious circle of its own creation, due to an onerous provision it wrote into the terms of the original bonds. Although it retained an option to extend the maturity of the bonds up to 1995, the firm promised to raise their interest payments up to a level which would allow the bonds to trade at par from January 1990 onwards. KKR and its investment bankers now claim that no such interest rate exists.

With the junk bond market slump and the asbestos suits in particular, the Walter bonds now trade at less than 25 cents on the dollar. If coupon payments were increased to raise the bonds' value to par, Walter's capital structure would become even weaker and the value of the bonds would fall again, the firm argues.

KKR officials believe a bankruptcy court would not force a liquidation of the company to meet the bondholders' claims.

KKR has offered to exchange the troubled bonds for new securities which would have less onerous provisions.

Nixdorf seeks partnership

By David Goodhart in Bonn

NIXDORF, the troubled West German electronics company, has admitted for the first time that it is seeking a partner.

Mr Horst Nasko, who took over as chief executive last month, said yesterday he was looking for "technical and strategic" partnerships.

Mr Nasko told a company meeting that a choice of partner would be made at a meeting of the supervisory board on January 22. The company is likely to go for a German partner. The two favourites are Mannesmann and Siemens.

Taking over a large part of Nixdorf, with its attendant losses and problems, would not necessarily be to the short-term benefit of Mannesmann. Some analysts believe that pressure from Deutsche Bank and the Government will be difficult for Mannesmann to resist, having just picked up the lucrative licence for Germany's mobile telephone network.

HCA $1.23bn sale fails

By Roderick Oram in New York

HOSPITAL CORPORATION of America said efforts to sell its psychiatric hospitals to employees and other investors for $1.23bn have failed for several reasons, including the weakness of the junk bond market.

The Nashville-based company was intending to use the proceeds of the sale to repay a $1.3bn two-year loan. The debt was part of the financing for a $3.6bn management buy-out of HCA earlier this year.

HCA, strained by the debt burden, said the collapse of the deal did not jeopardise it.

The hospitals were to have been part-owned by staff through an employee stock ownership plan. Recent changes in Esop laws have reduced tax benefits if employees own less than 50 per cent of the company.

INTERNATIONAL COMPANIES AND FINANCE

INTERNATIONAL APPOINTMENTS

New head for Quebec Securities Commission

By Robert Gibbens in Montreal

MR PAUL Fortugno, 43, takes over leadership of the Quebec Securities Commission, Canada's second most important, in the new year with the departure of Mr Paul Guy, 54, who has held the job for the last seven years.

Mr Guy will continue as secretary general of the International Organisation of Securities Commissioners and also do consulting work.

IOSCO has become a co-ordinating agency for stock markets in the main industrial countries since deregulation of financial services began in 1986. Its objective is to promote and help enforcement of uniform standards internationally.

Mr Fortugno, a lawyer, was appointed QSC vice chairman last year. He is a former Crown Prosecutor and once worked as director of research for the National Assembly in Quebec City.

The investment industry expects he will have close relations with the Government. Mr Guy was frequently in disagreement with former junior finance minister Mr Pierre Fortier, responsible for the QSC. In Canada, securities law is a provincial area of jurisdiction primarily.

CBR chief to resign at year's end

AT CBR, Belgium's biggest cement producer, Mr Julien van Hove, president and chief executive officer, is to resign from these posts at the end of the year, in accordance with the company's age-limit rule.

Mr Hervé de Carmoy, chief executive officer of Société Générale de Belgique, Belgium's largest holding company and the holder of a controlling interest in CBR, has been appointed CBR chairman with effect from January 1.

Mr van Hove, a 42-year veteran of CBR, will become honorary president of the company. After joining CBR as a manufacturing engineer, Mr van Hove, in his successive assignments, took part in the various stages of the company's growth in Belgium, the Netherlands and Canada.

Mr Ferdinand Chaffart, who has been serving as chief executive of Raffinerie Tirlemontoise S.A., was named a CBR director, and the board appointed him managing director and chairman of the CBR group executive committee. Mr Chaffart will also replace Mr van Hove as member of the group management committee of La Générale.

Placer Pacific to strengthen top management

PLACER PACIFIC, a leading Australian gold producer, and Placer Dome, Canada's largest gold producer which owns some 75 per cent of the former, announced a strengthening of Placer Pacific's senior management team to provide the leadership "to generate future strong growth and profitability" for the subsidiary.

From May 1 next year, Mr Alf Paton, the present managing director of Placer Pacific, will become chairman with executive responsibilities.

Mr Lawrie Reinertson, currently senior vice president of Placer Dome, will assume the post of deputy managing director at Placer Pacific on February 16, and on May 1 will move up to managing director and chief executive.

Mr Reinertson, after a number of years' experience with Noranda, Canada's largest resource group, joined Placer Dome in 1987, and has since directed the latter's global exploration programme.

★ ★ ★

CHRISTIANIA Bank og Kreditkasse, Norway's biggest bank, will have a new managing director from next July when Mr Tor Moursund will step down from this role.

Mr Moursund, 62, who has headed the bank since 1970, will be succeeded by Mr Sverre Walter Rostoft, 44, who came to Kreditkasse as a deputy director in 1980.

★ ★ ★

GANDALF Technologies, the Canadian computer networking group, named James Newell vice president of finance and chief financial officer.

Mr Newell, 32 and formerly treasurer, has been acting vice president of finance since September following the resignation of Mr Brian Hedges.

★ ★ ★

CYPRUS MINERALS, second largest US copper producer, named Ms Linda Alvarado to its board, increasing the board's size to 11 members.

Political pendulum now favours Nusli Wadia

Gita Piramal on a bitter corporate war in India

THINGS HAVE rarely been brighter for Mr Nusli Wadia, the chairman of Bombay Dyeing. His company, a textile and dimethyl terephthalate (DMT) manufacturer, recently posted strong interim results.

Turnover for the six months ended September 1989 improved from Rs1.57bn (US$93.2m) to Rs1.93bn while gross profit increased from Rs163.4m to Rs227.5m.

Bombay Dyeing's shares have moved up from Rs125.5, on the day the Indian elections were announced on October 16, to Rs195.

Meanwhile, the share price of Reliance Industries, managed by Mr Dhirubhai Ambani, a keen competitor and rival of Mr Wadia, slumped from Rs186.25 to about Rs78. Two years ago, the position was almost exactly the opposite – a Rs10 Reliance share was quoted at Rs180 while Bombay Dyeing languished at Rs75.

The fluctuations in the share prices of the two companies have more to do with the political environment than their fundamental operational strengths. The defeat of the Congress (I) party and the victory of Mr V.P. Singh's National Front in last month's Indian elections is widely expected to affect both Bombay Dying and Reliance Industries.

Mr Wadia is closely aligned to Mr V.P. Singh, India's new Prime Minister, and to Mr Ram Nath Goenka, the publisher of the anti-Congress Indian Express chain of newspapers.

Mr Ambani is a strong supporter of Mr Rajiv Gandhi's Congress (I) party. The two chairmen are embroiled in the longest and most bitter corporate wars the Indian business community has witnessed. Over the past five years neither has hesitated to use his abundant political influence to attack the other.

The change in government will probably improve Bombay Dyeing's fortunes. Mr Wadia admits guardedly that this might be so.

"Under the previous Government, several charges were filed against us and dozens of motivated investigations initiated. Now one hopes that one will be treated fairly by the Government. We do not want favours – just a fair deal," he says.

The previous Government relegated all expansion and diversification proposals from Bombay Dyeing to the back burner.

The dust will be shaken off these applications and Bombay Dyeing will probably propose some more. "We had, and have, a lot of investment ideas, but we did not pursue them because there was no point in getting refusals.

One case which Mr Singh's Government is likely to consider sympathetically is Mr Wadia's application for an Indian passport. The quirk of birth which endowed both Indian and British citizenship on Mr Wadia, a British passport holder born in India, has been a source of considerable controversy.

In July 1987 the Central Bureau of Investigation (CBI) briefly arrested Mr Wadia and charged him with falsely declaring that he was an Indian national while signing hotel registers in New Delhi. Meanwhile, the Government issued temporary visas to Mr Wadia pending a final judgment. Ironically, as the CBI prosecutes Mr Wadia in one case, it plays the role of guardian angel in another.

According to Mr V.K. Saraf, Bombay's Commissioner of Police, under the new Government, the CBI may decide to take a fresh look at the evidence collected by the Bombay police against Mr Kirti Ambani who allegedly conspired in a plot to kill Mr Wadia.

Mr Kirti Ambani, a senior executive of Reliance Industries but not related to Mr Dhirubhai Ambani, was arrested in this connection last August. Since then the Government has attracted considerable public criticism for dragging its feet over the case.

Federal Express slips in second quarter

FEDERAL Express, the express delivery company, saw a further slide in profits, reflecting the costs of assimilating Tiger International, the cargo airline it acquired this year, writes Roderick Oram in New York.

Net profits for the second quarter ended November 30 fell 29 per cent to $37m or 70 cents a share from $52.5m or $1.01. Revenues rose to $1.72bn from $1.14bn, due to the first full quarter of consolidated operations.

Second-quarter operating profits rose 12 per cent to $127.9m from $114.5m while pre-tax profits fell to $80.8m from $91.3m due to non-operating expenses of melding Tiger International and other acquisitions with the company.

First half net profits dropped 43 per cent to $67.4m or $1.27 from $118.8m or $2.28, on revenues of $3.37bn against $2.21bn.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9⅝ 93	140	103⅛	103⅝	0	+0⅛	8.37
B.F.C.E. 8⅜ 94	175	100	100⅜	0	+0⅛	8.32
B.F.C.E. 9¼ 95	150	103½	104	0	+0¼	8.41
Brit. Tel. Fin. 9⅜ 98	250	104½	105	0	+0¼	8.59
Canada 9 96	1000	103⅞	104⅜	0	+0⅜	8.11
C.C.C.E 9¼ 95	300	103¼	103¾	0	+0¼	8.38
C.N.C.A 9⅜ 93	150	†102⅜	102⅞	-0⅛	+0⅛	8.52
Credit National 8¼ 93	200	†99⅞	100⅜	0	+0⅛	8.18
Credit National 7⅞ 92	100	97¾	98¼	0	+0⅛	8.25
Credit National 9½ 92	160	†102½	103	-0⅛	+0⅛	8.43
Dai-Ichi Kan 9⅝ 92	150	102½	103	0	+0⅛	8.44
Denmark 8¼ 94	150	†99	99½	0	0	8.43
E.E.C. 7 91	100	97⅝	98⅛	0	+0⅛	8.21
E.E.C. 10 93	140	†104½	104⅞	0	+0¼	8.30
E.I.B. 8½ 99	150	100	100⅜	0	+0¼	8.48
Eurofima 10⅛ 93	100	†104¼	105⅛	0	+0⅜	8.32
Elec.De France 9 98	200	103	103⅜	0	+0⅛	8.45
Elec. De France 9½ 99	200	†105¼	105⅝	0	+0¼	8.56
Finland 9 96	250	102⅜	102¾	-0⅛	+0¼	8.46
Finn.Exp.Cd. 8½ 92	200	100⅛	100⅝	0	+0⅛	8.28
Finn. Exp. Cd. 9¼ 95	200	103⅝	104⅛	-0⅛	+0⅛	8.50
Ford Motor Credit 8 91	250	†99	99½	0	0	8.60
Gen.Elec.Cap.Corp. 9 93	500	†102¼	102⅝	0	+0¼	8.26
Gen.Elec.Cap.Crp.10 1/2 91	300	102¼	102⅝	0	+0⅛	8.35
G.M.A.C. 8¾ 96	500	†99⅞	100¼	0	+0⅛	8.75
G.M.A.C. 9 96	300	100¾	101⅛	-0⅛	+0⅛	8.77
Gen.Mtrs.Corp. 9⅛ 92	200	101½	102⅛	0	+0⅛	8.30
IBM Credit Corp. 8⅜ 92	400	100½	100⅞	0	+0⅛	8.36
IBM Credit Corp. 8⅞ 91	250	100½	101	0	0	8.39
IBM Credit Corp. 9 92	250	101½	102⅛	-0⅛	0	8.18
IBM Credit Corp. 9½ 92	250	101¾	102⅜	0	+0⅛	8.36
Italy 8½ 94	1500	100⅜	100¾	0	+0¼	8.33
Italy 9½ 95	1000	104½	105⅛	-0⅛	+0⅛	8.44
Italy 9⅝ 99	1000	106¼	106⅝	-0⅛	+0⅜	8.58
Itoh C. W/W 4⅝ 94	1000	†113	114	+0¼	+2	1.50
Japan Dev. Bank 10 96	200	107¼	107⅝	-0⅛	+0¼	8.42
KFW Intl. Fin. 9 94	300	102¼	102⅝	-0⅛	+0¼	8.35
L.T.C.B.of Japan 9¼ 92	200	101⅝	102⅛	0	+0¼	8.47
Nippon Tel.&Tel. 9⅜ 98	250	104⅝	105	0	+0¼	8.59
Norway 8⅝ 93	500	101⅜	101⅞	0	+0⅜	8.13
Portugal 8¼ 91	300	†98⅞	99⅜	0	-0⅛	8.96
Sumitomo Corp. W/W 4 93	1500	125⅛	126⅛	-2¼	-3⅛	-2.85
Sweden 8¾ 96	200	101¾	102⅛	0	0	8.34
Toyota 9½ 91	200	101⅝	102⅛	0	0	8.44
Toyota Mtr.Corp. W/W 4 93	1500	†106¼	107¼	0	+0¼	1.96
Victorian Rep 11⅝ 92	150	105⅝	106⅛	0	0	8.71
World Bank 8⅜ 99	1500	101¼	101½	0	+0⅛	8.38
World Bank 9 97	300	103	103½	0	+0⅜	8.39
World Bank 9 93	300	102¼	102⅝	-0⅛	+0¼	8.17
World Bank 9¼ 98	300	104⅛	104⅜	0	+0⅛	8.50
World Bank 9⅝ 99	500	106⅞	107⅛	0	+0¼	8.48
World Bank 9¾ 96	300	†106⅛	106⅝	0	-0¼	8.42

Average price change... On day -0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	92	92½	+0⅛	-0⅛	7.94
Austria 6¾ 99	750	†94½	95	0	+0½	7.55
Bk.Frgn.Econ.USSR 7 96	750	*†93¾	94¾	0	0	8.20
Bank of Tokyo 5¾ 93	100	93¾	94¼	+0⅛	+0⅛	8.04
Commerzbank o/s. 5⅜ 93	300	93⅛	93⅝	+0⅝	-0⅛	7.90
Credit Foncier 6⅝ 99	500	94¼	94⅝	+0⅜	+0⅝	8.65
E.I.B. 6¼ 99	600	91⅛	91½	-0⅛	+0⅛	7.61
E.I.B. 6½ 99	300	†95¼	96	0	+1⅛	7.12
E.I.B. 6⅝ 96	600	96	96⅜	-0⅛	+0⅛	7.41
E.I.B. 6⅞ 95	300	98⅝	99	+0¼	+0¼	7.14
Euro.Coal& Steel 5⅞ 97	175	89¾	90⅛	0	+0⅛	7.74
Eurofima 6¼ 96	100	93	93½	+0⅜	+1¼	7.59
Elec De France 5¼ 97	300	90½	91	0	0	7.39
Hydro-Quebec 6⅝ 99	300	†92½	93	0	-0¼	7.87
Japan Dev. Bk. 5⅜ 95	300	†90	90½	+0¼	-0⅜	7.65
Japan Finance 5¼ 97	100	88¼	88¾	-0⅛	-0⅛	7.91
I.A.D.B. 7¼ 99	300	97⅝	98⅛	0	+0⅜	7.56
Ireland 6½ 97	300	—	—	—	—	—
Ireland 7¼ 99	500	96	96⅜	0	+0½	7.81
Malaysia 6¼ 94	150	93¼	93¾	0	0	8.00
Nat. West BK. PLC 6 98	300	†88¼	88¾	0	0	7.93
N.H.L. Finance 6¼ 95	200	†89½	90	0	+1¼	8.53
Nippon Telg.&Tel. 6 95	400	—	—	—	—	—
Oesters. Kontbk. 5 93	300	92¼	92¾	-0¼	0	7.80
Portugal 5¾ 92	150	94⅝	95⅛	+0⅛	+0¼	7.97
Portugal 6⅝ 95	150	94⅜	94⅞	0	-0⅜	7.83
Privatbanken 5¼ 93	150	92⅛	92⅝	+0¼	+0¼	8.04
Royal Insurance 5½ 92	300	95	95½	0	+0⅜	7.81
Turkey 6½ 95	500	†90⅞	91⅜	-0¼	-0⅜	8.61
Union Bk.Finland 5½ 94	200	†91	91½	0	+0⅜	8.10
World Bank 6 98	500	†89	89½	0	+0⅛	7.72
World BK. 6¼ 97	600	92½	92⅞	+0¼	+1	8.25
World Bank 6⅝ 99	600	†94¼	94⅝	0	+0⅛	7.57

Average price change... On day +0⅛ on week +0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†87	89	0	-1½	7.35
Asfinag 5 03	100	†83	84¼	-0⅛	-1⅝	6.88
B.F.C.E. 4½ 98	200	†85¼	86	+0¼	-1⅜	6.76
B.M.W.Fin.Neth. 5 13	150	†83½	84	+0½	+0⅜	6.35
Britannia B/S. 4¾ 94	100	†88	89	-0¼	+1½	7.35
CIR. Int. W/W 3 93	125	†87½	87¾	+0½	-0½	7.02
Credit Lyonnais 4¾ 00	100	†83	83½	0	-0½	7.07
E.I.B 4⅝ 98	150	†84¾	85½	+0½	-1⅜	7.00
Finn. Exp. Cd. 8¼ 92	75	†100½	100¾	+0¼	+1¼	7.97
Fletcher Chall. 4⅞ 98	150	†79	81	+0½	-2⅜	8.30
I.A.D.B. 6 2004	200	†94½	95	+0⅛	-0⅛	6.56
Kobe City 4⅝ 98	150	†84	85	0	-1	7.10
Leeds Perm. B/S. 4⅛ 93	200	†88	89¼	+1⅜	-0⅜	8.16
Malaysia 5⅛ 98	100	†80	81	+1	+1	8.55
Maxwell Comm.Crp. 5 95	150	†82¼	84	0	+0½	8.95
Nat. Bk. Hungary 5½ 94	75	†85	86	0	-1	9.25
Nationwide Ang.B/S. 4 93	200	†87¾	88¼	+0⅜	-0⅛	8.07
Prov. Newfoundland 5 03	150	†82¼	83	+0⅞	-1⅞	6.98
Thailand 4⅝ 95	200	†80	81	+1¼	-3⅛	9.26
World Bank 5 03	150	†84	85	0	-0⅜	6.77

Average price change... On day +0⅛ on week -0⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅜	99⅞	-0⅛	-0¼	6.35
Canada 5⅝ 93	80	98⅜	98⅞	-0⅛	-0⅜	6.09
Eurofima 5 1995	20	94¾	95¼	-0⅛	-0½	6.12
E.I.B. 4⅞ 93	30	96¼	96½	0	-0⅛	6.15
Ireland 5⅛ 93	30	96	96½	-0⅛	-0⅜	6.39
Norway 5⅝ 95	50	96⅛	96⅜	-0⅛	-0¼	5.97
Sweden 4⅝ 93	50	95¼	95⅝	0	-0¼	6.12
World Bank 5⅛ 98	10	94½	95	0	-0¼	5.94
World Bank 7 94	20	103	103½	-0⅛	-0⅛	6.11

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	97¼	97⅝	+0¼	+0⅝	10.93
Abbey Nat. 11⅝ 93 £	100	96½	97	+0¼	+0⅝	12.92
Aegon 7¼ 92 FL	100	100½	101	0	-0⅛	7.84
Alg. Bk. Ned. 5⅜ 93 FL	200	93	93½	0	0	8.19
Austria 7½ 94 ECU	100	93⅞	94⅜	0	+0¼	9.21
Barclays Aus.13⅛ 91 A$	100	98⅜	98⅞	0	+0½	14.41
Belgium 8⅛ 94 Ecu	150	95⅜	95⅞	0	-0⅛	9.42
Bell Canada 10⅞ 04 C$	200	102¼	102⅝	-0⅛	+0⅜	10.54
BP Capital 9⅜ 93 £	100	92¼	92⅝	+0⅛	+0⅜	12.66
British Airways 10 98 £	100	89¼	89¾	+0⅛	+0⅛	12.07
Brit. Telecom 9½ 93 £	150	92¼	92⅝	+0⅛	+0⅜	12.48
Comm. Bk.Aust. 12⅝ 93A$	100	†93¾	94¼	0	+0¼	14.90
Comm.Bk.Aus.13¼ 94 NZ$	60	†103⅞	104⅜	0	-0¼	12.44
Credit Foncier 9 96 Ecu	100	98½	99	0	-0⅛	9.24
CrLocalFrance 9¼ 92Ecu	100	99⅜	99⅞	0	+0⅛	9.38
Deut. Bk.Aus. 13⅞ 93 A$	125	†97⅛	97⅝	-0¼	+0½	14.28
Deutsche Bk.Fin. 15 94 A$	100	†103⅛	103⅝	-0⅛	+0⅛	13.84
Elec.De France 9¾ 99C$	150	96⅛	96½	0	+0½	10.36
E.I.B. 7 96 LFr	100	*†95¼	95¾	0	-1¼	7.90
E.I.B. 7¼ 99 FL	150	94⅜	94⅞	-0⅛	-0⅛	7.93
E.I.B. 9 99 Ecu	150	99⅛	99⅝	0	+0¼	9.09
Eurofima 7⅞ 94 Ecu	100	94⅞	95¼	+0⅛	+0¼	9.13
Export Dv.Crp.8¾ 92Ecu	100	98⅝	99⅛	+0⅛	0	9.26
Fed.Bus.Dv.Bk. 9 94 Ecu	100	98⅛	98⅝	0	+0⅛	9.43
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†97⅜	97⅞	+0⅛	+0⅛	10.84
Ferrv. Stato 7¾ 93 Ecu	100	94	94½	0	-0⅛	9.76
Ford Cr.Can.10⅞ 93 C$	100	†99¼	99¾	+0⅛	+0⅛	10.92
Ford Cred.Can.10⅞ 96C$	125	100¼	100½	+0⅛	+0⅛	10.79
Ford Cred.Fund.10¼ 93£	60	94¾	95¼	+0⅛	+0¼	12.43
G.M.A.C.Canada 11 3/4 94C$	100	102⅜	102⅞	0	+0¼	10.92
Heineken 7⅝ 94 FL	150	100⅜	100¾	0	-0⅛	7.73
Hydro-Quebec 11 99 C$	400	102¾	103	0	+0⅛	10.48
Lloyds Bank 10¼ 98 £	150	90	90½	+0⅛	+0¼	12.17
Lloyds Bank 11⅛ 98 £	100	93¼	93¾	+0¼	+0¼	12.62
Montreal Tst.10¼ 93 C$	100	†98⅝	99⅛	+0¼	+0½	11.10
Nat. Aus. Bk. 14¼ 94A$	100	†99¼	99¾	-0¼	+0⅜	14.87
New Zealand 9½ 93 £	100	91½	92	+0⅛	+0⅜	12.61
O.E.K.B. 10¼ 99 C$	150	99⅜	99⅞	+0⅛	+0½	10.33
Royal Bk.Scot.10⅝ 98 £	125	92	92½	+0⅛	+0¼	12.19
Saskatchewan 10¼ 93 C$	200	98⅜	98⅞	+0⅛	+0⅜	10.68
State Bk.NSW. 13⅞ 93A$	100	†97¼	97⅝	-0⅛	+0⅝	14.78
Sweden 7½ 93 Ecu	250	94⅜	94⅞	0	+0¼	9.19
Sweden 15 94 A$	100	†102⅝	103⅛	-0⅛	+0⅛	13.99
Toyota Mtr.Cr.10⅜ 94C$	150	98½	99⅛	-0⅛	+0½	10.65
Toyota Mtr.Cr.11⅜ 92C$	150	101	101½	+0¼	+0⅜	10.69
World Bank 7⅛ 99 FL	300	94¾	95¼	+0⅜	0	7.88
World Bank 10⅞ 94 £	200	95⅝	96	+0⅛	+0½	12.04
World Bank 13¼ 92 A$	100	†101⅞	102⅜	-0⅛	+0¼	12.28
World Bank 14¼ 94 A$	75	101½	102⅛	0	+0¼	13.66
Zentrspk. 13¼ 93 A$	75	†97	97½	-0¼	+0⅜	14.19

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.78	99.83	24/01	15.21
Bank of Greece 99 US$	†0¼	99.52	99.62	8/03	9¼
Belgium 91 US$	0	100.12	100.22	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.78	99.83	28/02	15.31
Credit Foncier 98 US$	.063	99.92	100.02	20/04	8.31
Dresdner Finance 99 DM	†.031	100.09	100.19	28/01	8.16
EEC 3 92 DM	†0	100.18	100.28	22/02	6¾
Halifax BS 94 £	.1	100.09	100.14	9/02	15.16
Invt. In Industry 94 £	0¼	99.95	100.03	17/01	15.19
Leeds Perm. B/S. 94 £	0⅛	100.05	100.10	15/01	15.37
Milk Mkt. Brd. 5 93 £	0⅛	99.83	99.87	29/12	14.94
New Zealand 5 97 £	.07	100.05	100.15	22/02	15¼
Northern Rock 92 £	0⅛	99.83	99.88	20/01	5¼
State Bk. Nsw. 98 US$	.188	100.03	100.12	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	99.95	100.00	15/01	15.37
Woolwich 5 95 £	0⅛	99.96	100.01	22/02	15.31

Average price change... On day +0.01 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US$	†8/87	62	129¾	120¼	-1	1.52
Amer. Brands 7¾ 02 US$	9/87	56.7	121¼	122¼	-1½	-0.86
CBS. Inc. 5 02 US$	4/87	200	97¼	98¼	-0¼	5.88
Dai-Ichi Kan. 3⅞ 04 US$	7/89	3486	98⅛	99⅛	-0⅛	9.34
Primerica 5½ 02 US$	†4/87	66.75	74	75	-0½	83.30
Eng.China Clay 6½ 03 £	9/88	4.8	91¾	92¾	0	2.74
Fujitsu 3 99 US$	5/84	1106	205	206	-5½	-3.00
Ladbroke 5⅛ 04 £	6/89	7.1	101½	102½	-0¼	122.83
Land Secs. 6¾ 02 £	6/87	6.72	89	90	+0¼	15.00
Minolta Camera 2¼ 94DM	12/86	1004	104⅛	105⅛	0	6.64
MCA Inc 5½ 02 US$	9/87	69.62	101⅞	102⅞	-0⅛	12.46
Mitsubishi Bk. 3½ 04US$	5/89	3266	95¼	96¼	-0⅛	1.24
Next Plc 5¾ 03 £	11/87	4.3	95¼	96¼	0	408.97
Nikki Mpn.Bk.2⅞ 03 US$	4/88	804	152⅛	153⅛	-0⅛	0.09
Omnicom Inc. 6 1/2% 04 US$	10/89	28	102¼	103¼	-0¼	18.00
Omron Tateisi 2⅞ 02 US$	4/87	1310	278¼	279¼	-7½	-1.81
Ranks Hovis 4¾ 03 £	1/88	3.5	119¼	120¼	-0⅛	-1.15
Redland 7¼ 02 £	1/87	5.4	103¼	104¼	-0⅛	2.92
Saatchi&Saatchi 6¾ 05 £	†10/89	4.41	86¼	87¾	-0⅛	51.49
Silicon Graphics 8 04 US$	6/89	23.18	114⅞	115⅞	+0⅛	18.28
Sumitomo Bank 3¼ 04 US$	2/89	3897	87	88	-0¼	4.56
Texas Inst. 2¾ 02 US$	9/87	82.87	77¼	78¼	0	83.07
Utd.N'papers 8 04 £	10/89	8.77	121	122	-0¼	121.26
W.R.Grace 6¼ 02 US$	9/87	42.12	90¼	91¼	-0¼	29.28

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Reuters triumphs in the derivatives jungle

Rachel Johnson on the news group's successful tradition of exploiting new markets

Reuters, the news and information organisation, has prided itself on reaching far-flung parts of the globe since 1849 when its founder, Paul Julius Reuter, released a carrier pigeon to plug the gap in the European telegraphic system.

Its corporate treasury has been equally intrepid, and has made brave forays into the uncharted territories of derivative products which have sprung up in the financial markets.

More than a century after the flight of the carrier pigeon came the breakdown, in 1971, of the Bretton Woods system of fixed exchange rates. Quick to exploit new markets, Reuters soon afterwards launched a screen-based exchange rate quotation service.

Reuters is now the biggest distributor of computer-based information services, with offices in 81 countries and fixed revenue earnings from some 184,300 screens.

To many, Reuters is the world's foreign currency market. About a third of the world's foreign exchange trade is tapped out on 11,000 currency monitors, with the company earning revenue in more than 50 different currencies.

The fortunes of organisations which depend heavily on foreign earnings hinge, to a great extent, on exchange rates. For example, the profits of Jaguar, the UK-based car manufacturer recently bought by Ford, have suffered badly from fluctuations in the sterling-dollar exchange rate.

Mr Robin Aspinall, director of currency economics at Security Pacific Hoare Govett, says: "Jaguar benefits from a weak pound and suffers from a strong one."

Detractors of Reuters sometimes point out that the company has contributed to the unpredictability of exchange rates, with its supply of real-time high-speed dealing systems enabling price movements to be seen all over the world.

In 1989 the most important currencies, in order of exposure to Reuters trading activities, were the dollar, the yen and the D-Mark. Ms Susan Ross, Reuter's corporate treasurer, says: "We have been watching D-Mark strength very carefully this year."

Although only third in order of exposure, Ms Ross singles out the D-Mark because the currency bloc it pulls along – the Swiss franc, French franc, and Ecu – supplies the lion's share of Reuters revenues. Europe, Middle East and Africa operations contributed £340m ($540m) or 61 per cent of interim revenue in the half year to June 1989.

Scrutiny of the year's accounts, due out on February 13 next year, should show care rewarded. According to Ms Bronwen Maddox, Kleinwort Benson's media analyst, this year's forex trends should work to the company's advantage.

The reason for such optimism is that sterling has softened against Reuters' principal trading currencies this year. In the financial year to December 1988, revenue grew by 15.7 per cent to £1bn, but growth was hampered by sterling's hardening against all Reuters' key trading currencies except yen.

North American revenues, for example, grew by 48 per cent in dollar terms. Once translated into sterling, Reuters' functional currency, this showed up as only a 33 per cent gain. With a weak pound it would not be surprising if this year's revenue growth outstrips that of last year.

That said, the company's treasury has quite a task managing its foreign currency revenues, which amounted to 85 per cent of total earnings in 1988. Management policy is conservative.

Rather than waiting to see what the year will bring, the board requires 40 per cent of forecast revenue to be covered by hedging financial transactions.

Most of these hedging instruments were created after 1979 and the lifting of exchange controls in the UK. Before then only forward exchange contracts – where two parties agree to exchange amounts of one currency for another at a future date – were in common use. These allowed treasurers to fix values of future foreign exchange revenues and outgoings in home currency.

But with erratic rate movements a key feature of the early 1980s, treasurers found they could not hedge currency risk with just one instrument.

The currency option was the response to customer demand for a more comprehensive way to hedge risk. This product is a favourite at Reuters, where treasurers seem to relish the task of limiting potential foreign exchange damage.

As Mr Aspinall of Hoare Govett points out, the forward contract is still the instrument favoured by the vast majority of companies. Reuters can justifiably claim to be more adventurous than most in its methods.

Every month, Ms Ross, the senior forex dealer and currency advisers meet to form a short to medium-term view. They decide how much and how far to cover forward, and how many options to buy.

The costs of a forward contract, rather than an option, are hidden in the rate. In options, the premium is immediately payable: this upfront cost has contributed to a belief among corporate treasurers that options are not only speculative but expensive to boot.

In spite of the initial painlessness of forwards, however, the investor forgoes possible gain should rates move in his favour.

With a monthly meeting, it is difficult for Reuters to respond to the market on a daily basis. It does, however, go to the market every day and the senior forex dealer is in daily communication with about 15 banks.

The treasury also tries to deaden the impact of unforeseen big currency realignments by using a strategy based on finding averages in currency movements. "We realise we will never get the best rate going, otherwise we would never trade," says Ms Ross.

So should the D-Mark strengthen further, Ms Ross explains, Reuters has itself covered with a mix of derivative products – forwards and options. A rising, falling, stable or volatile market all generate their own matrix of strategies.

Essentially, options buy insurance against adverse rate movements and give the purchaser flexibility to benefit from favourable ones. Reuters pays a premium for the right to buy or sell a sum of currency when the exchange rate moves in or out of line with expectations.

Ms Ross says options have been the most exciting financial development of the exchange control-free decade. Though the company does not go so far as to write options, she says buying options is a "super" way of eliminating currency exposure.

Writing options would run counter to the policy of minimising risk. The possible loss when buying options is limited to the premium paid, but writers of options face the possibility of unlimited loss.

Reuters favours over-the-counter tailor-made options, rather than standardised ones traded on a recognised exchange.

At the London International Financial Futures Exchange volumes are too thin to sustain Reuters' interest. Shunning mechanical models, Reuters itself chooses, according to taste, currency, amount, maturity and exercise price of each option.

It is also dismissive of the "options packaging" dreamt up by banks keen to win over option-shy corporate clients. Fancy offerings like deferred premiums, cylinders, collars and partial ceiling options have all been introduced to overcome users' aversion to making big upfront payments which seem perilously like potential losses.

Reuters has no such fears. From pigeon-fancying founder to options-fancying treasurer, the company has always enjoyed breaking new ground. And it is in the happy position of having no public debt to worry about, and cash to cushion the expense of up-front payments.

Having no need to hedge interest rate risk, it can devote all its energies to currencies.

Crédit Suisse plans trade in money-market claims

CREDIT SUISSE is to institute a secondary market for Swiss federal money-market claims, the first time that such trading had been possible on the country's money market, writes John Wicks from Zurich.

The claims, which usually have three- or six-month maturities, exist only in book-entry form.

They are thus not considered securities and are exempt from stamp duty.

The Government and Swiss National Bank are believed to have welcomed the move, which is seen as bringing new business into Switzerland. Crédit Suisse is looking to other leading Swiss banks to take part.

Postipankki in Ecu50m deal

INTERNATIONAL BONDS

THERE WAS sporadic new-issue activity on the Eurobond market yesterday, but all of the day's deals were aimed at specific accounts and none was expected to trade actively. There was almost no dealing on the secondary markets, writes Andrew Freeman.

Daiwa brought an Ecu50m one-year deal for Postipankki. The bonds carry a 10¼ per cent coupon and are priced at 100⅝, with 1 per cent full underwriting fees.

Daiwa was also the lead manager of a Y22bn swap-driven issue for Banesto Issuances. The bonds mature on January 29 1995, carry a 6.7 per cent coupon and are priced at 101⅞. Full fees are 1⅞ per cent, with a 1¼ point selling concession. The deal is callable at par after one year.

Two floating-rate Ecu issues were launched by Merrill Lynch. An Ecu85m three-year deal for Skopbank matures on December 19 1992, carries a yield of three-month Ecu Libor minus 32 basis points and is priced at 100⅛. There is a put option at par every 90 days.

Australia to buy back sterling bond issues

By Andrew Freeman

THE Australian Government yesterday announced plans to reduce its international debt by buying back its three long-dated sterling bond issues.

Mr Paul Keating, Treasurer, said the move was part of the Commonwealth's wider debt repayment programme.

In January a reverse tender offer, the first of its kind by a sovereign borrower in the sterling bulldog market, will be managed by S.G. Warburg Securities. The three bond issues originally totalled £300m, but the principal outstanding is now about £233m. A Eurosterling issue is not affected.

Mr Keating said the Commonwealth had been operating since July this year a debt repurchase programme using open purchases on international markets. When this was extended to the sterling market it reduced the principal amounts outstanding on the three £100m bulldog issues.

The 13½ per cent stock maturing 2010 now has £85m outstanding, the 9½ per cent stock maturing 2012 has £76.75m, and the 11¾ per cent stock maturing 2015 has £71.25m outstanding. The issues trade on a spread against UK gilts of about 120 basis points.

Further details of the tender offer will be confirmed by Warburg when it announces the exact timing of the deal. Officials said the idea for a tender offer had originally come from the Bank of England's gilts buy-in programme, and had already been successfully applied by the Commonwealth in the Australian domestic market.

The Australian Government has been retiring foreign debts to reduce its overall burden and relieve pressure from international credit rating agencies.

There has been controversy between the Government and credit agencies after Australia's credit rating was downgraded earlier this year. While overall government debt has fallen sharply, corporate debts have been growing, leaving the country with significant foreign currency needs.

Easing signals from Fed lift Treasuries

By Janet Bush in New York

GOVERNMENT BONDS

US TREASURY bonds moved higher in modest reaction to a clear signal from the US Federal Reserve that it had decided at the meeting of the Federal Open Market Committee, which ended yesterday, to ease monetary conditions.

At midsession, the Treasury's benchmark long bond was quoted about ⅛ point higher for a yield of 7.82 per cent while some medium-dated maturities were quoted as much as ¼ point higher.

The Fed signal was unambiguous. The central bank came into the market when Fed funds were trading at 8⅝ per cent, a notch below the 8½ per cent target which has prevailed since early November, and added reserves through an overnight system repurchase agreement. This repurchase is an aggressive move to add funds and was seen in the market as a clear signal of an easing.

After all the confusion about Fed policy last month, when the market was wrongly convinced that the central bank had eased, the Fed clearly wanted to give a strong signal.

This latest easing should be the trigger for leading money centre banks to lower their prime lending rates. They did not move after an early November easing – to an 8½ per cent funds rate from 8¾ per cent – as they were waiting for another step downwards to 8¼ per cent.

Before the Fed's operation in the money market, bond prices had been virtually unchanged.

Bank invites conversion

THE Bank of England yesterday continued its housekeeping of the shrinking UK gilts market with an invitation to holders of the 12 per cent Exchequer 1999-2002 stock to convert into the 12 per cent Exchequer due 1998, one of the biggest three stocks in the market, writes Rachel Johnson.

The 1999-2002 stock's days were commonly held to be numbered after the Bank announced it had featured on a hit-list of stocks cancelled out of official hands earlier this month. This gave the market a strong hint that the Bank wanted to see the stock completely removed from market hands. The gilts market took the announcement in its stride, moving up about ⅛ point at the longer end.

This conversion offer targets an inactive, illiquid stock which has twice been the subject of reverse auctions. There is £1.27bn of it outstanding, of which £1.16bn is held by the market and therefore could potentially be switched into the bigger 1998 stock - creating a popular, liquid £3.7bn stock.

The conversion terms are in line with current market prices and offer investors no profit.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	8/92	103-30	+1/32	11.76	11.96	11.90
	9.750	1/98	05-21	11/32	10.57	10.84	10.82
	9.000	10/08	94-18	+14/32	9.63	9.79	9.80
US TREASURY *	7.875	11/99	100-28	+6/32	7.82	7.90	7.92
	8.125	8/19	103-13	+5/32	7.83	7.89	7.92
JAPAN No 111	4.800	6/98	94.1038	-0.668	5.76	5.41	5.41
No 2	5.700	3/07	100.7008	-0.711	5.62	5.47	5.56
GERMANY	7.000	9/99	98.6500	-0.100	7.19	7.23	7.42
FRANCE BTAN	8.000	10/94	93.3589	-0.051	9.77	9.57	9.69
OAT	8.125	5/99	93.6800	-0.020	9.14	9.11	9.12
CANADA *	9.250	12/99	98.8000	+0.350	9.44	9.60	9.43
NETHERLANDS	7.250	7/99	96.3200	-0.060	7.80	7.75	7.86
AUSTRALIA	12.000	7/99	94.3981	+0.026	13.04	13.08	13.30

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Dec 20 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Dec 19 Index No.	Mon Dec 18 Index No.	Fri Dec 15 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (204)	900.42	+0.2	12.84	4.82	9.54	30.71	898.94	904.75	895.94	766.13
2 Building Materials (28)	1072.06	+0.3	14.65	5.28	8.51	40.71	1069.26	1075.87	1064.19	924.41
3 Contracting, Construction (37)	1468.87	+0.3	16.83	5.27	7.79	56.19	1463.95	1473.10	1461.30	1449.32
4 Electricals (10)	2634.28	....	10.26	4.72	12.26	84.46	2635.66	2624.25	2596.59	2250.02
5 Electronics (30)	1900.84	+0.3	9.67	3.85	13.30	52.19	1894.36	1915.88	1902.72	1752.40
6 Mechanical Engineering (53)	471.69	+0.2	12.29	4.87	9.92	16.44	470.69	473.38	469.99	403.38
8 Metals and Metal Forming (6)	473.78	+0.6	24.89	6.35	4.53	23.02	470.78	473.29	471.34	450.28
9 Motors (16)	375.39	+0.3	14.17	5.62	8.27	11.84	374.16	376.60	373.58	257.83
10 Other Industrial Materials (24)	1724.63	-0.4	9.59	4.39	12.28	55.27	1730.88	1740.84	1711.85	1292.10
21 CONSUMER GROUP (184)	1311.24	+0.6	8.68	3.49	14.43	33.79	1302.93	1311.96	1306.67	1085.75
22 Brewers and Distillers (23)	1528.25	+0.8	9.37	3.44	13.27	36.48	1516.78	1527.52	1517.84	1109.15
25 Food Manufacturing (20)	1141.97	+0.3	9.50	3.87	13.07	31.60	1138.64	1145.50	1146.50	985.91
26 Food Retailing (15)	2281.64	+1.2	9.14	3.18	14.43	52.06	2254.12	2237.47	2219.28	1768.82
27 Health and Household (14)	2683.82	+0.7	5.84	1.94	20.39	46.95	2665.45	2695.83	2692.55	1770.76
29 Leisure (34)	1652.40	+0.6	8.08	3.58	15.24	44.41	1643.42	1657.30	1638.99	1331.75
31 Packaging & Paper (14)	548.99	+0.3	12.80	5.24	10.44	18.37	547.46	550.79	541.18	515.48
32 Publishing & Printing (18)	3787.85	+0.6	8.34	4.64	15.50	121.48	3766.61	3777.87	3767.35	3195.38
34 Stores (32)	786.54	+0.9	11.19	4.75	11.64	25.98	779.31	788.77	787.13	673.32
35 Textiles (14)	517.38	-1.3	11.08	5.74	10.94	22.08	524.00	525.11	522.40	448.75
40 OTHER GROUPS (97)	1171.82	+0.7	10.69	4.55	11.26	39.90	1164.24	1172.47	1164.94	886.26
41 Agencies (17)	1548.83	-0.4	6.84	2.35	17.95	27.29	1554.82	1590.82	1570.18	1026.40
42 Chemicals (22)	1227.24	+0.4	12.35	5.21	9.52	47.73	1222.68	1228.40	1216.67	1085.62
43 Conglomerates (14)	1609.68	+0.2	11.38	5.36	10.27	68.01	1606.61	1615.74	1616.38	1239.49
45 Transport (13)	2268.93	+0.5	10.67	4.24	11.94	68.85	2258.19	2273.66	2267.74	1846.93
47 Telephone Networks (2)	1205.22	+1.9	10.54	4.25	12.34	38.54	1182.89	1192.57	1182.86	995.55
48 Miscellaneous (29)	1920.71	+0.3	10.58	4.71	10.70	65.42	1915.26	1930.24	1909.27	1167.45
49 INDUSTRIAL GROUP (485)	1179.00	+0.5	10.28	4.13	11.95	35.72	1172.81	1180.86	1173.62	925.23
51 Oil & Gas (15)	2398.58	+1.0	9.82	4.78	14.65	96.43	2375.77	2379.67	2376.32	1749.40
59 500 SHARE INDEX (500)	1280.69	+0.6	10.09	4.22	12.28	40.70	1273.16	1280.94	1273.97	995.02
61 FINANCIAL GROUP (120)	841.59	+0.9	–	5.04	–	30.41	834.41	839.85	834.90	669.90
62 Banks (9)	857.59	+0.4	20.13	5.86	6.53	36.37	853.92	866.87	865.36	663.85
65 Insurance (Life) (7)	1423.95	+1.7	–	4.67	–	47.56	1400.55	1408.92	1386.57	931.68
66 Insurance (Composite) (7)	740.20	+2.0	–	5.11	–	28.34	725.68	727.78	714.42	521.36
67 Insurance (Brokers) (7)	1146.10	+0.2	6.57	5.49	20.25	47.89	1144.26	1150.49	1136.64	904.03
68 Merchant Banks (11)	471.75	....	–	3.66	–	11.59	472.02	475.33	476.16	317.80
69 Property (49)	1225.88	+0.8	7.42	3.50	17.04	30.32	1215.04	1214.58	1211.19	1194.23
70 Other Financial (30)	332.28	....	12.70	6.50	10.33	15.82	332.41	332.35	331.86	341.91
71 Investment Trusts (69)	1283.49	+0.3	–	2.82	–	25.23	1280.18	1290.24	1285.84	909.96
81 Mining Finance (1)	728.81	+1.4	10.24	3.70	10.97	22.25	718.54	727.53	726.24	553.88
91 Overseas Traders (7)	1523.80	+1.2	9.87	5.31	12.64	60.11	1505.48	1508.28	1513.01	1251.99
99 ALL-SHARE INDEX (697)	1176.10	+0.6	–	4.31	–	37.79	1168.64	1175.95	1169.73	914.61

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 19	Dec 18	Dec 15	Dec 14	Dec 13	Year ago
FT-SE 100 SHARE INDEX‡	2360.7	+18.6	2367.1	2340.5	2342.1	2358.5	2344.7	2367.0	2386.2	1772.6

FIXED INTEREST

PRICE INDICES	Wed Dec 20	Day's change %	Tue Dec 19	xd adj. today	xd adj. 1989 to-date
British Government					
1 Up to 5 years	116.71	+0.20	116.48	–	11.71
2 5-15 years	129.92	+0.34	129.48	–	13.88
3 Over 15 years	140.32	+0.44	140.02	0.32	13.96
4 Irredeemables	159.00	+0.41	158.34	–	13.66
5 All stocks	128.23	+0.30	127.87	0.03	13.32
Index-Linked					
6 Up to 5 years	141.20	+0.18	140.95	–	2.79
7 Over 5 years	140.88	+0.32	140.74	0.30	3.84
8 All stocks	140.78	+0.31	140.63	0.28	3.74
9 Debentures & Loans	106.26	+0.04	106.22	–	10.92
10 Preference	84.91	....	84.91	–	6.39

AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 20	Tue Dec 19	Year ago (approx.)
British Government				
1 Low	5 years	10.15	10.21	10.20
2 Coupons	15 years	9.53	9.56	9.50
3	25 years	9.45	9.48	9.09
4 Medium	5 years	11.03	11.11	10.55
5 Coupons	15 years	9.96	10.01	9.71
6	25 years	9.62	9.66	9.38
7 High	5 years	11.18	11.26	10.71
8 Coupons	15 years	10.16	10.21	9.85
9	25 years	9.75	9.79	9.32
10 Irredeemables†		9.63	9.67	8.97
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.81	3.86	3.75
12 Inflation rate 5%	Over 5 yrs.	3.59	3.61	3.77
13 Inflation rate 10%	Up to 5 yrs.	2.88	2.93	2.48
14 Inflation rate 10%	Over 5 yrs.	3.41	3.43	3.60
15 Debs &	5 years	13.33	13.34	11.55
16 Loans	15 years	12.51	12.52	11.25
17	25 years	12.04	12.05	10.96
18 Preference†		10.80	10.80	10.44

‡Opening index 2348.5; 10 am 2355.7; 11 am 2356.1; Noon 2363.0; 1 pm 2366.0; 2 pm 2365.0; 3 pm 2363.8; 3.30 pm 2360.4; 4 pm 2359.1 (a) 1.36pm (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	96	0	6
Corporations, Dominion and Foreign Bonds	20	0	21
Industrials	394	273	931
Financial and Properties	197	93	398
Oils	32	24	38
Plantations	1	0	9
Mines	62	15	83
Others	79	80	89
Totals	881	485	1,575

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§75	F.P.	–	86	81	‡Air London 5p	86		R2.25	2.5	3.5	13.1
240	100	–	168	100	Anglian Water	155	+7	R15.3	2.3	6.9	7.2
†	F.P.	–	98	53	Anglo-Park Grp. 35p	91	+1	5.0	3.0	7.3	5.0
–	F.P.	–	109	76	BTR Warrants 1993/94	100	-1	–	–	–	–
§142	F.P.	–	150	145	‡Barts Hldgs 10p	146		85.5	2.7	5.0	6.3
[illegible]											
†	F.P.	–	£15¼	£13⅛	Millicom Inc. 1c	£13⅛	-⅛	–	–	–	–
240	100	–	146	100	North West Water Grp.	139	+2	R15.7	2.3	7.5	6.5
240	100	–	168	100	Northumbrian Water	158	+1	R16.1	3.6	7.2	4.2
§130	F.P.	–	143	115	Partridge Fine Arts 10p	117	-1	R3.5	2.5	4.0	10.8
†	F.P.	–	83	75	Pendragon	78	-1	W4.25	2.6	7.3	7.1
10	F.P.	–	12	10	Prospect Inds. 5p	11½		R0.3	2.4	3.5	9.8
100	F.P.	–	120	100	*Ramsden's (Harry) 10p	110		R4.5	1.1	5.5	22.1
†158	F.P.	–	162	154	‡Regal Hotel Grp 2p	156		–	–	–	–
§130	F.P.	–	148	143	Sage Group 5p	146	-1	L5.85	2.1	5.3	11.5
240	100	–	144	100	Severn Trent	136½	+2½	R14.85	3.0	7.2	4.7
240	100	–	157	100	South West Water	157	+2	R17.43	2.9	7.8	4.8
240	100	–	154	100	Southern Water	145	+1	R15.03	2.5	7.0	6.4
§25	F.P.	–	40	25	‡Storm Group 1p	36		–	–	–	61.3
†	F.P.	–	16½	13	‡Surrey Group 5p	13		R0.23	3.3	2.3	12.2
□	F.P.	12/1	548	528	TR High Inc Tst Units	548		N6.0	–	7.7	–
240	100	–	149	100	Thames Water	146	+2½	R14.58	2.4	6.8	6.9
£2400	£1000	–	£1530	£1000	Water Package Units	£1473	+30	–	–	–	–
240	100	–	153	100	Welsh Water	145	+3	R16.75	2.9	7.8	4.8
240	100	–	168	100	Wessex Water	157	+3	R15.21	2.6	6.8	6.2
240	100	–	161	100	Yorkshire Water	156	+1	R15.42	2.4	6.9	6.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
98.94	F.P.	–	99¼	97	British Inv. Tst. 11¼pc Sec. Db 2012	97¼	
89.65	£30	–	30½	29½	Brixton Ests. 10⅝pc 1st Mtg Db 2012	30½	
100p	F.P.	22/12	103p	97p	Caird Grp. 7p Cm. Cv. Pf. 2009 10p	102p	+1
§99.68	F.P.	-	100⅛	97½	Foreign & Col. 11¼pc Db. 2014 £100	99¼	
§	£50	-	56	53	Grosvenor Dev. Cap. 7½pc Uns. Ln. 1999	55	-1
♦	F.P.	-	82p	76p	LWT (Holdings) 3.9375p Cv. Pf.	78p	
100p	F.P.	-	100p	93p	MB Grp. 7.25p Cv. Cm. Rd. Pf. 15p	97p	
100	F.P.	-	100	100	Omnitech 12pc Cv. Uns. Ln 2000	100	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
2	Nil	–	¼pm	¼pm	*Amerocean Energy 0.1p	¼pm	+⅛
50	Nil	–	1½pm	1pm	*Andaman Resources 10p	1pm	
11	Nil	–	3½pm	¼pm	Assoc. Energy Servs. 5p	¼pm	
10	Nil	–	4pm	2pm	Benson Group	2pm	
290	Nil	–	48pm	41pm	Fisons	44pm	-2
230	Nil	17/1	43pm	38pm	‡Jeyes Group 5p	43pm	
112	Nil	–	73pm	65pm	Power Corpn. Ir10p	70pm	-3
10	Nil	–	6½pm	2½pm	‡Surrey Group 5p	2½pm	
205	Nil	–	8pm	3pm	Wilkes (J.)	3pm	-1
10	Nil	–	3pm	2pm	Williams Group 2p	2pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. h Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Dec 18
- Last Dealings Jan 5
- Last Declarations Mar 22
- For settlement Apr 2

For rate indications see end of London Share Service

Calls in Saatchi & Saatchi, Expl. Co Louisiana, Ferranti, Anglia Secure Homes. Put in Body Shop.

LONDON TRADED OPTIONS

ACTIVITY on the London Traded Options Market was dominated yesterday by traders rolling over and closing positions as December options expired at the close of business.

As traders concentrated on moving their positions ahead to next year, volume on the LTOM was higher than Tuesday at 33,184 lots. Most of yesterday's business was focused on call options, with 25,692 calls changing hands.

The FT-SE 100 index option saw a quiet day as attention focused on individual stock options. The index traded 6,595 contracts, divided between 3,923 put options and 2,672 calls. The busiest options series in the FT-SE was the December 2,300 put which traded 1,836 contracts.

British Gas headed the list of the most active stock options yesterday as 4,164 lots changed hands. Interest in British Gas followed a surge of recent activity in utilities on the back of the successful UK water privatisation.

Much of British Gas's volume was, however, a result of rolling December call options over to March, and 4,049 calls were traded with just 115 puts changing hands. The December 200 call was the busiest series, trading 1,890 lots.

Dixons saw high volume as the second most active option, with all of its volume in call options, where 2,641 were traded. The busiest series was the December 130 call which traded 1,130 lots.

Midland Bank traded 1,826 contracts of which 1,772 were call options and 54 puts. The December 360 call was busiest with a volume of 990. Lonrho saw an active day on the stock market and its option was the fourth most active issue on the LTOM with 1,425 contracts traded. Of these, 1,025 were calls and 400 puts.

Open interest for Tuesday on the LTOM was 890,092 with the FT-SE open interest at 153,569.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
[illegible]							
[illegible]	541	55	–	–	3	–	–
(*588p)	550	–	70	85	–	13	16
	600	16	38	55	23	29	33
Boots	260	15	27	33	7	10	16
(*264)	280	6	17	22	19	21	25
B.P.	300	36	44	48	1½	6	10
(*331)	330	10	22	27	7	13	20
	360	2	9	–	30	32	–
British Steel	120	15	21	22½	2	2½	5
(*133)	130	–	–	14½	–	–	8
	135	3½	8½	–	6	8	–
Bass	1000	72	115	145	10	20	27
(*1050)	1050	37	80	115	27	40	47
	1100	17	52	87	60	65	70
C & Wire	500	32	60	75	11	22	30
(*519)	550	8	35	49	40	50	54
Cons. Gold	1450	20	–	–	5	–	–
(*1480)	1500	4	–	–	45	–	–
Courtaulds	360	25	42	52	6	12	17
(*378)	390	8	25	32	20	25	32
	420	2	13	–	45	47	–
Com. Union	460	66	72	84	3	12	14
(*517)	500	34	44	58	10	21	26
GKN	390	48	57	68	2	13	13
(*429)	420	24	37	55	10	23	28
	460	7	20	32	35	47	50
Grand Met.	600	30	50	69	3	28	35
(*613)	650	8	26	43	45	58	62
I.C.I.	1100	57	82	110	18	44	52
(*1128)	1150	29	55	84	40	70	77
	1200	11	33	62	75	104	110
Jaguar	800	55	55	55	1	1	1
(*846)	850	1	1	1	3	3	3
	900	½	½	½	52	52	52
Kingfisher	280	23	37	40	5	8	14
(*294)	300	10	25	29	13	15	23
Ladbroke	330	–	29	34	–	17	23
(*331)	360	3½	14	–	32	34	–
Land Secur	500	40	60	74	5	11	15
(*528)	550	11	31	40	27	32	37
M & S	180	22	29	32	2½	4	6
(*197)	200	6	15	19	8	10	13
STC	240	12	21	29	11	16	21
(*240)	260	4	10	20	23	30	32
Sainsbury	260	10	22	25	8	11	13
(*262)	280	3	11	14	21	21	25
Shell Trans.	460	33	45	58	6	16	20
(*479)	500	8	23	35	25	35	40
Storehouse	100	12	18	21	3	7	9
(*109)	110	5½	12	16	8	11	14
[illegible]							

UK COMPANY NEWS

Both sides agree that the logic of the merger to create a world force in thread remains

Tootal rejects Coats' revised and reduced bid

By Jane Fuller

A MERGER which would have created a new force in world textiles broke down yesterday as Tootal rejected a new, reduced offer from Coats Viyella.

Mr Geoffrey Maddrell, Tootal's chief executive, said that the logic of the merger remained but that he and Sir David Alliance, the chairman of Coats, had failed to agree on a price.

Coats is believed to have offered about 110p per share, valuing Tootal at about £315m. This compares with yesterday's closing price of 101p – 10p down on Tuesday's level when the talks foundered.

In May, before the offer lapsed during a Monopolies and Mergers Commission investigation, the agreed price was 138p per share, valuing *Tootal* at £395m. The MMC cleared the bid in October.

Mr Maddrell said: "When we finally got the proposals they were not of interest to shareholders.

"Tootal has been in a position of uncertainty for more than a year, which is the worst of all possible worlds considering the current difficulty of the market."

While admitting that a higher offer would have to be examined, he said: "We are not in the business of playing games. We have to question how much they want it."

Tootal would proceed, he said, with its plans for independent development, notably in the Far East, a growth area where it already has significant sewing thread activities.

Neither Tootal nor Coats said it had changed its view about the logic of the merger, which would have created the biggest single force in the world thread market.

Sir David said: "Having got so far, it is regrettable that we were not able to conclude a partnership which promises so much for both sides. We remain dedicated to a resumption of talks at the earliest opportunity."

Tony Andrews

Sir David Alliance (left), chairman of Coats Viyella, and Geoffrey Maddrell, chief executive of Tootal, in happier times in May

Mr James McAdam, deputy chairman, said that the main problem had been the darkening of the trading outlook. "The market situation has changed somewhat and not only in the UK. Our market capitalisation has also changed."

When the terms of the offer were announced in May, Coats shares stood at 154p. Yesterday, they closed down 4p at 140p. In September, it announced a fall in interim pre-tax profits from £76m to £55.2m.

Brokers have been downgrading their forecasts for Tootal's full year to January.

Mr McAdam said the cutting of its offer was not related to the MMC report, which had required Coats to sell off its UK domestic thread business and its 20 per cent holding in Gutermann, a Swiss/German thread company. Negotiations to make these disposals were still going on.

Quaker Oats buys Kiddicraft from Hestair

By John Ridding

HESTAIR, the personnel services and consumer products group which last week agreed a £192m bid from BET, the business services company, has sold its Kiddicraft toymaking subsidiary for £13m.

The disposal to Quaker Oats, the Chicago food and toy group which already owns *Fisher Price*, is part of Hestair's strategy of focusing on its core personnel services businesses. It coincides with the sale of Corgi, the manufacturer *of die cast model cars to* Mattel, another US company, and marks a further step in the sale of UK toy companies to overseas buyers.

Kiddicraft's toys are principally aimed at the pre-school and nursery end of the market. Mr David Hargreaves, Hestair's chairman, said that the acquisition by Quaker Oats would be good for Kiddicraft, whose sales have traditionally concentrated at the upper end of the US market in line with other imported toys.

He said that Hestair had bought Kiddicraft in 1976 as an ailing nursery products business with *only* £400,000 of branded sales. Since then it has climbed to sales of £11.4m and pre-tax profits of £700,000 for the year to end-January. At that date, net assets stood at £2.6m.

Hestair's involvement in consumer products has been at the centre of a bid battle with Adia, the Swiss employment services group, which in November launched a £167m hostile bid for the UK group. Hestair said that its decision to dispose of non-core businesses pre-dates Adia's bid.

In addition to the £13m cash, Quaker is also repaying group loans and assuming bank borrowings totalling £3m arising from increased working capital requirements.

Eagle Star buys 24% stake in AA Insurance

By Patrick Cockburn

EAGLE STAR, the UK composite insurance subsidiary of BAT Industries, has bought a 24 per cent stake in AA Insurance Services with the aim of selling 40,000 policies through AA branch *offices* within the next year.

Eagle Star did not disclose the price paid for the company – the insurance and financial services arm of the *Automobile* Association. It said that the joint venture would enable it to sell life and investment products to the AA's seven million members and insurance customers.

AA Insurance Services, the leading UK personal lines broker with 1.5m motor and 500,000 household policies, became a tied agent of Eagle Star in October. It said the Financial Services Act had made it difficult to produce life products suitable for AA customers.

Eagle Star, in the past almost totally dependent on independent brokers for UK life sales, said that using AA's branches and direct marketing network, it planned to sell 40,000 life policies *in* the first year rising to 80,000 later.

Over the past 12 months Eagle Star has already appointed more than 250 representatives *for* life and investment business. In common with other companies selling life insurance Eagle Star has been extremely keen to expand and *gain* control of its distribution network.

Eagle Star said yesterday that the AA would continue to act as an independent intermediary for non-life products such as motor and household insurance. Mr Roy Hurley, managing director of AA Insurance Services, said yesterday: "We are committed as ever to our 20 strong panel of motor insurers."

Sun Alliance cooperation agreement with Taisho

SUN ALLIANCE, the largest UK composite insurance company, has signed a cooperation agreement with Taisho Marine & Fire Insurance Company of Japan under which it will help service Taisho's clients in the UK, writes Patrick Cockburn.

In return Taisho, the third largest Japanese non-life company, will assist Sun Alliance to develop in Japan where the UK company is eager to do business with *Japanese* companies.

Taisho currently has one office in London but with increasing Japanese investment in Europe wants to provide a better service for its Japanese clients. It does not want to expand into the domestic market. It may, however, cooperate with Sun Alliance in other overseas markets.

Sun Alliance already does a small amount of business in Japan through the British Insurance Group which has some $20m (£12.5m) in premiums from insuring UK companies there. Sun Alliance said the *only* way it could expand its business in Japan, the world's largest insurance market after the US, was with the active cooperation of a Japanese insurance company.

Woodchester welcomes Credit Lyonnais plan

By Kieran Cooke in Dublin

MR CRAIG McKinney, *chairman of Woodchester* Investments, the Dublin-based leasing and finance group, yesterday said he would have "no difficulty in principle" if Credit Lyonnais moved to take a majority stake in the company.

On Tuesday it was announced that Credit Lyonnais was taking up a 29.9 per cent stake in Woodchester at a cost of I£51.8m (£49.05m). Credit Lyonnais, the second largest commercial bank in France, bought the stake previously held by British and Commonwealth, the UK financial services group, for 125p per share.

Woodchester shares, suspended at *160p prior* to the Credit Lyonnais announcement, were yesterday trading between 160p and 180p on the Dublin stock market.

"Credit Lyonnais will give Woodchester the necessary cash and expertise to put European expansion plans into effect" said a Dublin broker.

In the first half of this year Woodchester increased pre-tax profits by 52 per cent to I£11.62m.

● *An ordinary general meeting* is being held today to approve Woodchester's purchase from Glen Dimplex of a 17.4 per cent stake in Shannon International Leasing for I£10 million. SIL's main business is the leasing of big ticket items such as ships and computers.

B&C has raised a total of I£129m from the sale of its Woodchester shares. In August it raised I£77 million from a placing of its 31 per cent holding *in Woodchester.*

Oakwood suspended

Shares in *Oakwood Group, a* civil and electrical engineering company, were suspended at 14p yesterday afternoon "pending an announcement".

In November the group revealed that it had sought legal advice over its merger in July with CoxMoore, the branded textiles concern. At the same time, the combined group revealed a taxable deficit of £5.49m for the first half of 1989.

White knight sought by Metal Closures

By Andrew Hill

Metal Closures Group, the packaging and printing company, *yesterday confirmed* that it was seeking a "white knight" counter-bidder to rescue it from the hostile £45.4m offer by Wassall, the aspiring mini-conglomerate *with* interests in luggage and office furniture.

MCG's shares had risen sharply during the day – from 172p to 181p.

That compared with the 176p value of Wassall's cash-and-shares bid.

A *statement* issued by MCG after the close of trading said: "The board is reviewing whether or not a merger would be possible on terms which offer better value to shareholders than the current Wassall bid and which would more closely reflect the board's view of the prospects for MCG."

The statement added: "No proposals have yet been put to the board of MCG."

Monotype waits for Maxwell statement

By John Ridding

MR ROBERT MAXWELL said yesterday that a meeting between his Mirror Group Newspapers and Monotype, manufacturer of typesetting equipment, had been "very *friendly and positive" and that* a statement concerning MGN's intentions would be made in the next few days.

MGN is expected to *announce a bid for Monotype,* valuing the company at slightly more than the recommended £32m bid from Pointplus, a US investment group.

Pointplus said yesterday that it had noted speculation that MGN would make a competing *offer for Monotype* and that it had the right to increase, revise or extend its own offer.

Mr Maxwell said that he was "impressed with what I saw" at the meeting with Monotype.

He added that the company could complement the *activities of its Fifth Wave Technology* subsidiary, which was set up earlier this week to manage MGN's existing businesses in the area and help develop printing technology.

Hughes Food static

PRE-TAX profits of Hughes Food Group marked time at £2.2m in the six months to September 30. An apparent decline in turnover from £31.8m to £23.1m reflected the sale of Glenrose Fish Merchants whose turnover for the same period last year amounted to £7m.

Mr J Hughes, chairman of this USM-quoted company, said the results also reflected the high level of interest paid during the period – up £400,000 at £1.3m. He said that the food services, machinery and construction activities continued to perform well.

Earnings per 5p ordinary share were 2.54p (2.26p) after a reduced tax charge of £387,000 (£637,000). The interim dividend is maintained at 0.25p.

Clarification

AES Electrical

We have been asked to make clear that Accessories Electrical Supplies (Wholesale) Limited has no connection with AES Electrical Wholesale Limited, referred to in an article on December 1.

York Trust rules out a full bid for ICH

By Ray Bashford

YORK TRUST, a USM-quoted financial services group, yesterday virtually ruled out the *possibility of a full bid for* International City Holdings, the foreign exchange and money broker.

Early last month the companies announced that they were in discussions which might lead to a offer being made by York.

This followed the acquisition by York Trust of a 29.8 per cent *stake in ICH in the face a* potential rival offer from Domeaction, a newly formed company owned by two individuals with backgrounds in money broking.

However, the companies have failed to reach agreement on the terms and bid discussions have been terminated.

Directors said that despite the failure of the bid talks they are convinced of the "commercial logic of a merger" and contact is continuing.

"Although the board of York now considers it unlikely that that York will proceed with an offer for ICH, the boards of ICH and York remain convinced of the commercial logic of merging the two groups and they are continuing their discussions *with a view to achieving* a merger of their respective operations under a new holding company," directors said.

Europa buys Burmine stake

By Kenneth Gooding, Mining Correspondent

EUROPA MINERALS Group, the London-quoted mining company, has paid A$3.74m (about £1.9m), or A$1.74 a share, for 19.7 per cent of Burmine, a Western Australian gold mining and exploration company which is currently *producing about 35,000 troy* ounces of gold a year.

Subject to shareholders of both companies giving approval, Europa will own 34.4 per cent of Burmine, which is quoted on the Australian stock exchange.

Additionally, Europa will sub-underwrite a three-for-five rights issue of Burmine shares at A$1.6 each to raise about A$9.96m net for the Australian company. The rights issue is being underwritten by Rothschild Australian Securities and Swiss Partners. Rothschild *Australia advised Europa on* all Australian aspects of the proposed deal.

Mr David Hood, Europa chairman, said the significant holding in a quoted Australian gold producer would provide "an ideal opportunity for further growth."

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Batleys	int	0.5	-	0.5	-	2.4
Braithwaite	int	1.4	Feb 23	1	-	6.5
Electronic Data	fin	1.95	-	1.725	2.65	2.375
Finlan	int	2.2	-	2.2	-	4.9
Hughes Food §	*int*	*0.25*	Feb 19	*0.25*	-	1.5
London Wall §§	fin	5†	Jan 19	4	8	4
Sterling Inds	int	1.35†	-	1.1	-	4
Yorkshire Radio§	fin	3	-	-	3	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

Grampian Holdings pays £5m for James Pringle

By Jane Fuller

GRAMPIAN Holdings, the Glasgow-based group which has interests ranging from sports equipment to animal pharmaceuticals, is buying James Pringle, a family-owned retailer of Scottish woollens.

About a tenth of the £5m purchase price is being paid in cash and the rest is in 2.75m new shares, issued at 164p, representing 4.3 per cent of the enlarged share capital. Grampian's share price closed up 3p yesterday at 161p.

James Pringle, which has four mill shops in Scotland and Wales (including one at the Llanfairpwllgwyngyllgogery*chwyrndrobwllllantysiliogogo*goch railway station in Anglesey) and a weaving operation in Inverness, made a pre-tax profit of £270,000 on turnover of £7.33m in the 12 months to October 31. Net assets were £2.74m.

It will be combined with Grampian's existing retailing division, which concentrates on mill and tourist shops and *had sales of £7.6m in the first* half of the year.

Mr David McGibbon, finance director, said the acquisition's underlying annual profit was about £500,000 and there would be scope for improving margins through its combination with Pitlochry and Moffat Woollens.

Overall, Grampian's interim figures included a taxable profit of £3.72m on turnover of £57.24m. Retailing was said to have experienced some difficulties through the squeeze on consumer spending. The number of outlets was being *reduced from 66 to 50, mainly* through the disposal of high street shops in southern England.

UK COMPANY NEWS

Yorkshire Radio exceeds float forecast with £1.46m

By John Ridding

YORKSHIRE RADIO Network, the commercial radio company which joined the USM in August, has exceeded forecasts made at the time of its flotation by announcing pre-tax profits of £1.46m for the year to the end of September, a sharp increase from the £839,000 achieved in the previous period.

Turnover rose from £4.41m to £6.87m and earnings per share climbed from 8.13p to 12.8p, higher than the forecast 10.64p. There is a final dividend of 3p.

Mr Michael Mallett, chairman, said: "The future of radio is exciting, both nationally and within our own territory. The heady growth in revenue is inevitably slackening somewhat as the squeeze on retail sales tightens, but opportunities abound."

Yorkshire is following a different strategy from other UK-based radio companies and has established operations in related engineering and service activities and in South East Asian broadcasting.

The group's Singaporean activities, which involve the cable transmission of audio programmes to subscribers' homes, contributed about £140,000 to group profits. Overheads have been cut significantly and there have been 51 redundancies in the 270 strong workforce.

The group's UK broadcasting activities, which comprise the bulk of profits, were substantially reorganised during the year. Three FM services were launched and Classic Gold, a new service, was launched across Yorkshire and Humberside.

Total listening hours increased from 10.48m to 13.85m.

Mr Mallett said that the group was continuing to look at the opportunities that would arise from the deregulation of broadcasting proposed in current legislation. He said "a key factor will be the limitation imposed on common ownership" and that it was vital for the industry to be allowed to develop naturally.

Colonnade plan under attack

By Andrew Bolger

STRATAGEM GROUP, the investment company, is opposing a plan by directors of Colonnade Development Capital to reorganise the company.

Stratagem, which owns 4.5 per cent of Colonnade's ordinary shares, said it was reviewing the options open to it, including the possibility of making an offer for Colonnade at not less than 142p per share in order to affect a liquidation of the company. Colonnade's shares closed at 143p, up 5p.

Colonnade's directors said last week that the share price had fallen to a 38 per cent discount on net asset value and that British and Commonwealth Holdings, the ultimate parent company of B and C Development Capital, Colonnade's investment manager, might shortly no longer be in a position to provide continuity of investment management services.

Accordingly, Colonnade was offering the management team at BCDC the opportunity of joining the company on a full-time basis: those executives would acquire the 8.7 per cent stake in Colonnade held by British and Commonwealth Ventures Investment and be granted performance-related options to subscribe for shares in Colonnade.

Stratagem said yesterday that it believed Colonnade's proposals for a management reorganisation, rather than a liquidation of the company, "are very definitely in the interests of British and Commonwealth Holdings and very definitely in the interests of the proposed mangement of Colonnade but not at all in the interests of the general body of shareholders of Colonnade."

Stratagem said it would make a further announcement about its intentions before the close of business on Friday. In the meantime, it urged Colonnade shareholders not to support the proposed reorganisation, which will be put to an extraordinary meeting on December 29. Colonnade, which is being advised by James Capel, said it continued to believe that the proposed reorganisation was in the best long-term interests of shareholders.

It regarded Stratagem's announcement as opportunistic and said it would communicate again with shareholders when Stratagem's intentions were known.

SeaCon will not prejudice shareholder vote on bid

By Andrew Hill

MR JAMES SHERWOOD, president of Sea Containers, said yesterday that the group would not try to prejudice the shareholder vote on a hostile bid for the company by buying more of its own shares in the market.

A Bermuda court decision at the end of last month appeared to clear the way for the ferry and container group to buy shares in the market and vote them in favour of its own defence against the $1.12bn Anglo-Swedish offer.

But Mr Sherwood said: "It's our view that we should not disturb the status quo. It's not our intention to have subsidiaries purchasing any more shares."

The group is also concerned that not enough shareholders will tender their shares to Sea Containers' defensive offer for its own equity, which is being funded by a $1.1bn asset disposal programme.

If too many shareholders decided to retain a stake in the continuing business of Sea Containers the company would be left vulnerable to another bid. The original plan would have given Sea Containers' subsidiaries and directors control of the group.

Late on Tuesday, Sea Containers rejected an increased bid from Tiphook, a UK container rental company, and Stena, a private Swedish ferry operator, which matches the $70-a-share defensive tender offer.

Directors and subsidiaries of the company already own 25 per cent of the fully-diluted share capital, according to Mr Sherwood.

The bid – which has now run for nearly seven months – is still stuck in the Bermuda courts. Tiphook and Stena are asking the court to impose an injunction on further dealings in Sea Containers shares pending an appeal against last month's unfavourable court ruling. A decision is expected before the Christmas break.

If the decision goes Sea Containers' way, Mr Sherwood will set a date for the long-awaited annual meeting at which shareholders will vote on the company's recapitalisation plan.

Mr Sherwood, who should announce further asset sales on Friday, must give shareholders at least six weeks' notice of the meeting. He admitted yesterday that the date for the AGM might now fall in February 1990.

He added that an increase in the defensive tender offer was unlikely: "We have additional resources available, and we are actually going to raise more from the sale of assets than we expected, but the board felt it was unnecessary to increase the price."

هكذا أصل التحميل

ACCEPTANCE FORMS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES, NEW CHANGE, LONDON, EC4M 9AA NOT LATER THAN 12.30 P.M. ON WEDNESDAY, 17TH JANUARY 1990, OR AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 16TH JANUARY 1990.

OFFER OF CONVERSION TO HOLDERS OF
12 per cent EXCHEQUER STOCK, 1999–2002
TO CONVERT INTO 12 per cent EXCHEQUER STOCK, 1998

Application will be made to the Council of The International Stock Exchange for 12 per cent Exchequer Stock, 1998 issued as a result of this conversion to be admitted to the Official List.

1 THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to invite holders of 12 per cent Exchequer Stock, 1999–2002 to convert all or part of their holdings into 12 per cent Exchequer Stock, 1998 on 22nd January 1990 at the rate of £99.90 nominal of 12 per cent Exchequer Stock, 1998 per £100 nominal of 12 per cent Exchequer Stock, 1999–2002.

2 Holders who do not wish to convert any part of their holding should do nothing.

3 Registered holders of 12 per cent Exchequer Stock, 1999–2002 at the close of business on 20th December 1989 who exercise the option to convert on 22nd January 1990 will receive the interest payment due on 22nd January 1990. Interest at the rate of £3.8795 per £100 nominal of 12 per cent Exchequer Stock, 1998 will be paid as on 20th May 1990 in respect of Stock issued as a result of the conversion.

4 Conversion will be into registered stock of 12 per cent Exchequer Stock, 1998 which, subject to the provisions contained in this notice, will rank equally in all respects with Stock already issued and will be subject to the provisions of the prospectus dated 21st April 1978. Holdings of 12 per cent Exchequer Stock, 1999–2002 in respect of *which the conversion option is exercised will be surrendered free* from all liens, charges and encumbrances and with all the rights now or hereafter attaching to them except the right to receive the interest payment due on 22nd January 1990.

Method of acceptance

5 Copies of this notice and acceptance forms for completion are being sent by post to holders of 12 per cent Exchequer Stock, 1999–2002. In the case of joint accounts, the forms are being sent to the first of the holders whose registered address is in the United *Kingdom (or, if none has such an address, to the first-named holder).* Holders who wish to convert all or part of their holdings should complete the acceptance form. Stock resulting from this conversion may be added to existing holdings of 12 per cent Exchequer Stock, 1998.

6 Completed acceptance forms with stock certificates must be lodged at the Bank of England, New Issues, New Change, London, EC4M 9AA not later than **12.30 P.M. ON WEDNESDAY, 17TH JANUARY 1990**, or at any of the Branches or Agencies of the Bank *of England not later than* **3.30 P.M. ON TUESDAY, 16TH JANUARY 1990**. The Bank of England will acknowledge receipt of acceptance forms.

7 In the case of stockholders who are members of the Central Gilts Office (CGO) Service, completed acceptance forms must be lodged at the Bank of England, Central Gilts Office, 1 Bank Buildings, Princes Street, London, EC2R 8EU not later than **12.30 P.M. ON WEDNESDAY, 17TH JANUARY 1990.**

8 *If a holder wishes* to convert but cannot *obtain* an essential signature or document by 17th January 1990, the acceptance form, completed so far as possible, should be lodged in accordance with *paragraph 6 or 7 above, accompanied by a letter from a bank,* solicitor or other professional adviser giving the reason for the acceptance being incomplete and undertaking to put it in order as soon as possible; it may then be possible to give effect to the acceptance. If there is insufficient time for the acceptance form to be lodged before the close of the offer, the holder may notify acceptance by facsimile (fax numbers 01-601-3298 or 01-601-5432) quoting brief particulars to *identify the account and specifying the amount of 12 per cent* Exchequer Stock, 1999–2002 to be converted; this should be followed without delay by a completed acceptance form and the certificates.

Arrangements for conversion

9 *Up to and including 19th January 1990 holdings in respect of* which the conversion option has been exercised will be described on the register as 12 per cent Exchequer Stock, 1999–2002 "Assented"; and from 22nd January 1990 until 19th April 1990 new holdings of 12 per cent Exchequer Stock, 1998 issued on conversion will be described on the register as 12 per cent Exchequer Stock, 1998 "B". Certificates for the new holdings of 12 per cent Exchequer *Stock, 1998 "B" will be issued as soon as possible after 22nd January* 1990.

10 *Up to and including 17th January 1990, CGO account balances* in respect of which the conversion option has been exercised will be described as 12 per cent Exchequer Stock, 1999–2002 "Assented"; and from 18th January 1990 until 17th April 1990 balances in respect of 12 per cent Exchequer Stock, 1998 issued on conversion will be described as 12 per cent Exchequer Stock, 1998 "B".

11 Transfers of 12 per cent Exchequer Stock, 1999–2002 for which stock transfer forms are lodged for registration up to 12.30 p.m. on 17th January 1990 will carry the option to convert into 12 per cent *Exchequer Stock, 1998 on 22nd January 1990. Stock transfer forms* will be accepted for certification in respect of 12 per cent Exchequer Stock, 1999–2002 until normal deadlines for certification on 17th January 1990 but they will not carry the option to convert unless they *are relodged for registration by 12.30 p.m. that day.*

12 Stock transfer forms will be accepted for certification in respect of 12 per cent Exchequer Stock, 1999–2002 "Assented" until normal *deadlines for certification on 17th January 1990 but they must be* relodged by the normal deadlines on that day if registration in the same form is desired. Stock transfer forms in respect of 12 per cent Exchequer Stock, 1999–2002 "Assented" lodged for certification on 18th and 19th January 1990 will be certified in that form; on the lodging of such transfers for registration the transferees will be registered as holders of the appropriate amounts of 12 per cent *Exchequer Stock, 1998 "B". Transfers of 12 per cent Exchequer* Stock, 1999–2002 "Assented" lodged for registration or certification should be accompanied by the Bank of England's acknowledgement of the receipt of the acceptance form or, if the acknowledgement has *been lodged with an earlier transfer of the Stock, by the receipt issued* for that transfer.

13 The interest due on 20th May 1990 will be paid separately on holdings of the existing 12 per cent Exchequer Stock, 1998 and on holdings of 12 per cent Exchequer Stock, 1998 "B" at the close of business on 19th April 1990; consequently, interest mandates, *authorities for income tax exemption and other notifications recorded* in respect of existing holdings of 12 per cent Exchequer Stock, 1998 will not be applied to the payment of interest due on 20th May 1990 on holdings of "B" stock.

14 Where the conversion option has been exercised, any *instructions for the payment of interest registered in respect of a* holding of 12 per cent Exchequer Stock, 1999–2002 will be applied to the new holding of 12 per cent Exchequer Stock, 1998 "B". Similarly, where instructions have been given by the Inland Revenue authorities for interest on the holding of 12 per cent Exchequer Stock, *1999–2002 to be paid without deduction of income tax, the* instructions will be applied to the new holding of 12 per cent Exchequer Stock, 1998 "B".

15 Transfers of 12 per cent Exchequer Stock, 1998 "B" may be lodged at the Bank of England for registration in that form up to 17th April 1990. After that date, for purposes of certification, the "B" stock *will not be distinguished from the existing 12 per cent Exchequer* Stock, 1998. From the opening of business on 20th April 1990, the "B" stock will be amalgamated on the register with 12 per cent Exchequer Stock, 1998. CGO account balances will have been amalgamated from the opening of business on 18th April 1990.

16 Her Majesty's Treasury have directed that Section 471 of the *Income and Corporation Taxes Act 1988 (which relates to the* treatment for taxation purposes of financial concerns whose business consists wholly or partly in dealing in securities) shall apply to exchanges of securities arising from this offer.

Particulars of the issue of 12 per cent Exchequer Stock, 1998

17 The prospectus for 12 per cent Exchequer Stock, 1998 dated *21st April 1978 included the following provisions:–*

(i) The Stock is an *investment falling* within Part II of the First Schedule to the Trustee Investments Act 1961. The principal of and interest on the *Stock is a charge on the National Loans Fund, with recourse* to the Consolidated Fund of the United Kingdom.

(ii) *The Stock will be repaid at par on 20th November 1998.*

(iii) Interest is payable half-yearly on 20th May and 20th November. Income tax is deducted from payments of more than £5 per annum. Interest warrants are transmitted by post.

(iv) The Stock is registered at the Bank of England or at the Bank of Ireland, Belfast, and is transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers are free of stamp duty.

Stock registered at the Bank of England held for the account of members of the CGO Service is also transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant secondary legislation.

18 *Additional copies of this notice, the particulars of 12 per cent* Exchequer Stock, 1998 and forms for the acceptance of the conversion offer may be obtained at the New Issues Counter, Bank of England, New Change, London, EC4M 9AA; *at the* Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU, *or at any of the Branches or Agencies of the Bank of England;* at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, *Belfast, BT1 5BN; or at any office of The International Stock Exchange* in the United Kingdom.

19 Members of the Central Gilts Office Service may obtain further guidance about the arrangements set out above in relation to their accounts by contacting the Central Gilts Office, Bank of England.

STOCKHOLDERS UNCERTAIN AS TO THE BEST COURSE TO FOLLOW SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

Government statement

Attention is drawn to the statement issued by Her Majesty's Treasury *on 29th May 1985 which explained that, in the interest of the orderly* conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to *disclose* tax changes decided on but not yet announced, even where *they may specifically* affect the terms on which, or the conditions *under which,* the further amount of 12 per cent Exchequer Stock, 1998 is issued or sold by or on behalf of the Government or the Bank; *that no responsibility can therefore be accepted for any omission to* make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for *compensation.*

BANK OF ENGLAND
LONDON

20th December 1989

UK COMPANY NEWS

Rockwood revises terms for Interfreight offer

By Nikki Tait

TERMS UNDER which Rockwood Holdings, the *acquisitive USM-quoted* distribution group, will acquire Interfreight Group, a shipping and forwarding business, have been changed.

The UK company said yesterday that this was largely due to some difference in perceptions about the value of certain Interfreight properties – in particular, in Kenya and Tanzania. As a result, the principal change in the arrangements is to separate the property element from the rest of the transaction.

When the deal was first announced last summer, Rockwood was to pay \$7m up front – half in cash and half in promissory notes – and up to a further \$7m could fall due depending on profits until May 1991.

Under the new arrangements, Rockwood will buy the *business and assets of* Interfreight – other than its freehold and leasehold properties – for an initial \$4m, with \$2m coming in cash on completion and \$2m via equal instalments in 1990 and 1991. Up to a further \$4m will be paid dependent on profits in the next two years.

Moreover, Rockwood will pay about \$1.5m at completion, a sum equal to the net current assets of the business.

Separately, Rockwood will acquire a two-year option to *buy the freehold* and *leasehold* assets employed in the group for \$5.5m, subject to increase at 12 per cent per annum.

Finlan lower after change in accounting policy

FIRST HALF profits of the Finlan Group, a property developer and materials handling concern, fell from a restated £1.56m to £679,000 at the pre-tax level.

The 56 per cent fall followed a significant change in the group's accounting policy. Before exceptional provisions and interest charges profits were ahead by some 15 per cent at £3.2m.

Interest charges for the half year to September 30 accounted for £2.38m (£1.21m). The directors said that included £1.25m (£693,000) of interest which under the previous accounting policy would have been capitalised.

Exceptional items of £157,000 arose from the cost of further reorganisation – the group intends to draw a number of activities together in a single location.

Turnover slipped from £26.65m to £23.84m. After tax of £244,000 (£552,000) earnings worked through 2.3p lower at 1.4p.

The interim dividend is a same-again 2.2p.

NEI impacts on Rolls-Royce

By Nick Garnett

THE PURCHASE earlier this year of Northern Engineering Industries (NEI) by Rolls-Royce is slowly having some impact on their organisations.

Rolls-Royce Industries of Canada is being reorganised to include NEI's Canadian activities, Rolls-Royce said yesterday.

Mr Terry Harrison, NEI chairman and a member of the Rolls-Royce board, is to succeed, in January, Mr Trevor Salt as chairman of the Canadian company.

NEI's Canadian businesses include the manufacture of transformers and power distribution equipment and digital display boards used at airports.

Rolls-Royce said the new organisation, which will be headquartered in NEI's office in Toronto, will help in the development of a more cohesive market approach and in reducing operating costs.

Earlier this month NEI announced that it was forming a joint marketing company with Asea Brown Boveri for gas turbine power stations.

NEWS DIGEST

Sterling Industries expansion

STERLING Industries, the light engineer, increased first half profits from £956,000 to £1.53m pre-tax on the back of a £4.2m rise in turnover to £11.53m.

The directors said the 35 per cent advance in profits for the six months to end-September was largely attributable to an improvement from the hydraulics division at Crewkerne tempered by continuing costs of establishing market activity in Chicago.

After tax of £405,000 (£318,000), first half earnings totalled 3.93p (3.15p). The interim dividend is lifted to 1.35p (1.1p).

Faupel Trading lower at £732,000

Faupel Trading Group, the textile and clothing importer *which came to the USM in* June, reported a fall in pre-tax profits from £845,000 to £732,000 for the six months to September 30.

Turnover advanced to £8.32m (£6.24m) but interest payments rose from £110,000 to £301,000.

An interim dividend of 1.85p is declared, payable from earnings per share of 6.21p (7.6p).

Builders merchants' decline hits Copson

F Copson, a supplier of heating equipment and building materials, saw taxable profits in the *six months to October 31, fall* to £227,000, less than half the previous £566,000. And the directors warned that the difficult trading in the period would continue.

They added that prospects for the builders merchants' sector continued to be depressed with no upturn seen until interest rates were reduced and confidence returned.

Turnover was £18.65m (£17.4m). Earnings were 3.35p (6.29p). The interim dividend is maintained at 1p.

Westpool Inv Trust falls to £2.76m

Westpool Investment Trust, an investment holding company, reported pre-tax profits down from £3.29m to £2.76m for the six months to September 30 1989.

Tax was lower at £665,000 (£1m) giving earnings per share up from 2.32p to 2.55p. The interim dividend is maintained at 0.35p.

Westpool's principal subsidiary is London Merchant Securities.

Downturn to £1.04m at Electronic Data

Profits of Electronic Data Processing fell from £1.37m to £1.04m pre-tax for the year to end-September. Turnover rose from £14.76m to £16.03m.

The directors said it was difficult to predict the current *outcome* because of a time lag between submitting sophisticated proposals to customers and decisions being taken.

A proposed final dividend of 1.95p raises the total from 2.375p to 2.65p.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1988							
2nd qtr	108.2	112.4	30.9	118.7	122.7	2,306	[illegible]
3rd qtr.	110.5	115.5	29.7	120.1	126.9	2,226	244.3
4th qtr.	110.2	116.3	29.5	121.8	129.4	2,101	241.4
December	109.9	117.2	32.3	121.1	131.9	2,037	237.4
1989							
1st qtr.	109.5	118.6	30.2	121.5	125.4	[illegible]	228.8
2nd qtr.	109.7	119.9	34.9	120.3	132.7	[illegible]	222.4
3rd qtr.	110.6	119.6	36.5	121.7	134.7	1,742	[illegible]
January	109.7	119.0	36.4	119.5	134.5	[illegible]	[illegible]
February	109.3	119.3	36.8	122.1	129.8	[illegible]	[illegible]
March	109.8	119.3	38.7	122.6	127.4	1,917	224.9
April	109.7	118.1	34.7	[illegible]	[illegible]	[illegible]	[illegible]
May	109.3	119.7	34.1	134.5	133.4	[illegible]	219.8
June	109.3	119.2	34.9	121.5	133.0	1,818	[illegible]
July	109.8	119.7	34.7	121.0	138.8	1,767	228.8
August	111.4	120.2	35.2	121.8	134.8	1,745	218.5
September	110.6	118.5	35.5	122.3	133.9	[illegible]	209.7
October	111.4	118.9		121.8	140.2	1,674	214.6
November				120.8		1,675	[illegible]

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
2nd qtr	111.7	109.3	108.5	109.9	128.1	101.8	22.3
3rd qtr	113.7	113.5	108.6	114.9	133.5	102.1	20.4
4th qtr	113.9	115.9	106.7	116.1	124.1	101.5	19.4
December	114.9	116.4	[illegible]	[illegible]	[illegible]	100.0	14.7
1989							
1st qtr.	114.8	118.2	104.2	118.1	[illegible]	98.9	17.9
2nd qtr.	115.9	118.4	102.2	118.7	123.3	98.2	14.8
3rd qtr.	116.0	122.5	104.8	[illegible]	122.7	98.9	
January	114.4	119.3	106.4	112.8	127.0	100.8	18.5
February	114.2	118.1	104.1	118.0	120.8	100.9	19.4
March	115.7	117.6	104.0	115.8	126.0	[illegible]	18.5
April	116.9	116.7	104.9	116.8	[illegible]	[illegible]	18.4
May	115.9	119.3	100.9	120.9	123.0	[illegible]	19.6
June	115.7	121.5	100.7	120.0	117.8	98.0	17.7
July	116.2	123.1	102.4	122.0	120.0	100.0	15.5
August	114.8	124.0	105.5	121.0	122.8	98.8	14.8
September	114.2	124.4	105.5	120.9	125.0	98.5	19.0

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	107.3	118.5	-4,025	-3,081	+730	97.0	44.84
2nd qtr	114.9	128.2	-4,530	-3,781	+666	97.1	48.52
3rd qtr	112.9	134.9	-5,724	-3,410	+307	97.3	50.40
4th qtr.	107.8	134.7	-5,496	-5,382	+380	98.7	51.69
December	109.2	133.2	-1,819	-1,440	+162	97.0	51.68
1989							
1st qtr.	112.3	140.5	-5,984	-4,761	+258	98.7	50.40
2nd qtr.	113.4	140.2	-5,870	-4,903	+294	98.9	43.57
3rd qtr.	116.8	146.2	-6,717	-5,817	+301	96.2	42.88
January	117.1	146.1	-2,047	-1,846	+115	98.2	51.71
February	105.1	138.8	-2,224	-1,823	-8	98.8	51.88
March	115.3	138.2	-1,788	-1,392	+141	98.7	50.46
April	110.9	140.0	-2,193	-1,871	+116	98.9	47.28
May	115.8	138.4	-1,726	-1,403	+57	98.9	48.09
June	117.7	142.1	-1,951	-1,629	+122	98.9	43.57
July	116.1	148.8	-2,555	-2,255	+75	98.2	43.63
August	113.6	140.7	-2,244	-1,944	+143	96.6	43.21
September	126.0	149.3	-1,918	-1,618	+82	96.0	42.88
October	120.2	142.9	-1,344	-1,564	+152	98.3	38.58
November							38.77

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1988							
2nd qtr	6.6	14.6	16.8	+22,365	4,173	+1,827	9.50
3rd qtr.	7.7	18.6	18.5	+22,482	3,182	+895	11.50
4th qtr.	7.7	18.9	17.6	+19,886	3,168	[illegible]	12.70
December	7.5	18.8	17.6	+7,613	615	[illegible]	13.00
1989							
1st qtr.	6.7	14.7	18.1	+21,152	2,681	+894	13.00
2nd qtr.	6.0	11.3	18.6	+20,310	1,738	[illegible]	14.00
3rd qtr.	6.3	9.9	17.4	+28,148	2,285	[illegible]	14.00
January	7.4	15.5	18.9	+7,811	784	+152	13.00
February	6.6	15.5	18.4	+5,043	1,064	+293	13.00
March	6.1	14.7	18.1	+9,298	813	[illegible]	13.00
April	5.8	14.5	17.9	+6,322	1,175	+341	13.00
May	6.2	13.6	18.1	+6,419	713	+471	14.00
June	5.9	11.3	18.6	+7,569	-153	+186	14.00
July	6.2	10.1	16.5	+7,743	645	+249	14.00
August	6.1	10.1	17.3	+7,905	821	[illegible]	14.00
September	4.5	9.9	17.4	+10,446	818	+74	14.00
October	4.2	8.9	17.2	+5,202	784	+174	15.00
November							15.00

INFLATION-Indices of earnings (1988=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	98.4	98.8	111.0	103.7	103.6	1,747	75.3
2nd qtr	98.7	97.2	112.6	106.2	104.8	1,817	77.3
3rd qtr.	100.6	98.8	113.9	108.6	104.7	1,902	75.9
4th qtr.	104.1	100.1	115.2	109.9	105.7	1,887	77.5
November	103.7	99.5	115.2	110.0	105.7	1,886	77.1
December	105.9	102.5	115.4	110.3	106.5	1,931	79.5
1989							
1st qtr.	105.4	102.8	116.6	111.7	107.5	1,974	97.1
2nd qtr.	108.0	104.4	118.2	114.9	110.2	2,018	93.6
3rd qtr.	110.0	103.1	119.5	116.0	110.7	1,912	91.7
January	104.2	104.0	116.4	111.0	107.4	[illegible]	97.9
February	104.5	101.9	116.8	111.8	107.7	1,984	97.4
March	107.3	102.4	117.2	112.3	108.3	[illegible]	95.9
April	107.3	103.9	117.8	114.3	109.6	2,016	96.5
May	107.6	104.7	118.3	115.0	110.2	2,010	94.3
June	109.1	104.7	118.8	115.4	110.7	2,027	91.1
July	110.3	102.8	119.0	115.5	110.1	[illegible]	92.2
August	109.1	102.7	119.5	115.8	110.8	[illegible]	91.6
September	110.7	103.8	120.8	116.6	111.3	[illegible]	91.3
October	111.7	104.1	120.6	117.5	112.4	[illegible]	90.7
November		105.6	120.9	118.5	113.6	[illegible]	87.9

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

ACCOUNTANCY COLUMN

ASC puts goodwill on the balance sheets

By Christopher Nobes

THE SEASON of goodwill began early for the Accounting Standards Committee. By now it is well known that the ASC is on the point of issuing an exposure draft (ED) for an accounting standard in favour of capitalisation and amortisation of goodwill.

The decision is likely to be controversial. Present majority practice is to write off goodwill immediately against reserves; thus never charging it against profits. Many company chairmen and senior accountants are strongly against a change in rules that would lead to amortisation charges for goodwill, although such opposition is backed by only a small minority of the ASC.

Is goodwill an asset?

The bottom line of the debate is the effect on reported earnings. At present there is no reduction in earnings because there are no goodwill amortisation charges. The logical starting point of the debate is to determine whether goodwill is an asset.

To simplify the argument, I will consider only goodwill arising in the group on acquisition of a subsidiary. This goodwill is calculated as the excess of the cost of the subsidiary over the fair value of its identifiable net assets.

The elements of goodwill are, therefore, not specifically identifiable but they have been paid for and they are expected to bring future benefits. The elements might include loyal customers, brand names (if not otherwise recorded), skilled management and monopoly position.

At its December meeting, the ASC decided unanimously that goodwill was in the nature of an asset and that it should be capitalised. Members differed only on what to do with the goodwill once it is on the balance sheet.

The decision to recognise goodwill as an asset will in itself address two serious difficulties. First, the present practice of goodwill write-offs has led to examples where a group shows smaller net assets than those of the parent contained within it or even where prosperous, large groups show negative net assets – i.e. an excess of liabilities over assets.

That applies particularly on acquisition of service companies where goodwill is large and this phenomenon is merely the most visible effect of writing off important assets immediately after they have been paid for.

Second, much of the pressure to capitalise brands results from an attempt to fill the gaping hole in balance sheets left by having written off goodwill. The brand controversy might not have arisen if we had had better rules on goodwill.

Does goodwill wear out?

The view of the ASC majority is that, like most other assets, the goodwill bought at the date of acquisition of a subsidiary does wear out: the customers die or change their tastes, the staff leave or retire, the monopoly position is eroded. There is general acceptance (and legal insistence) that internally generated goodwill should not be capitalised, so the fact that it might replace worn out purchased goodwill is not relevant under our existing accounting system.

The argument that amortisation charges are double counting may be true, but is irrelevant.

If goodwill does wear out, the place to record a change for that is in the profit-and-loss account, where all the other depreciation charges go.

The useful life of goodwill is certainly hard to estimate, which is why the ED proposes guidelines for systematic amortisation.

Depreciation charges on nearly all assets are arbitrary, however: we use our best estimates.

It should also be said that the ASC has legal counsel's opinion that it would be illegal to leave goodwill unamortised or to assume an infinitely long useful life.

Inter-company comparisons

Many users of accounts depend upon inter-company comparisons. With organic growth, a group would record all expenses in its profit-and-loss account, so with purchased growth it probably should also record an amortisation expense relating to the assets purchased.

Anyway, a standard that requires capitalisation and amortisation of goodwill enables easy calculations of what the numbers would have shown if there had been immediate write-off – but that is not true in reverse. If there are doubts about which treatment gives better information, the ASC's proposals are better because they give more information.

Of course, international comparisons are becoming increasingly important. US practice and the preference of continental rule-makers is capitalisation and amortisation. The International Accounting Standards Committee is also currently seeking world standardisation on this basis: the UK had been the main stumbling-block.

The 'level playing field'

Many city directors have already begun to argue that goodwill amortisation will depress earnings and thus share prices. Research on whether visible accounting changes like that affect share prices has shown that they do not.

Financial analysts can easily adjust for goodwill charges, and analysts find the directors' concerns misguided. If the rules do change, directors would be well advised not to indulge in expensive manoeuvres designed to reduce goodwill charges; that would involve spending real money to reduce accounting charges that are depreciating money already spent.

One particular worry concerns international competition. It is said, for example, that UK companies are presently at an advantage compared to US companies in conducting takeovers. That is because US directors know that they will have to account for the goodwill element of a purchase, which can be the majority of it. However, again, the analysts tell us that the goodwill treatment will make no difference to the companies' share prices. So the worry is misplaced.

Nevertheless, let us suppose that the analysis and the researchers are wrong. Is it really to the advantage of UK shareholders that their directors can spend enormous sums on goodwill and not have to show the asset or the charge for its wearing out? Given the lack of long-run success of many megamergers and takeovers, it seems more likely that UK directors buy too many companies.

The present UK treatment may suit the ambitions of some directors but any effects are likely to be to the disadvantage of UK shareholders compared with US shareholders.

The ASC's proposals would then be levelling the playing field in our favour.

Conclusions

There are plenty of things wrong with our present system of financial reporting and many of us would like to start again from scratch. There are certainly arguments against the ASC's proposed changes to goodwill accounting but, given the present accounting system, the changes are a move in the direction of a coherent treatment of assets.

They will also give better information, promote international harmonisation and may even restrain some directors from some unwise purchases.

Christopher Nobes is Deloitte Professor of Accounting at the University of Reading. He is a member of the Accounting Standards Committee and of its working party on goodwill.

ACCOUNTANCY APPOINTMENTS

COMPANY NOTICES

USD 200,000,000
GEORGIA FEDERAL BANK, FSB
COLLATERALIZED FLOATING RATE NOTES
DUE DECEMBER 1996

For the interest period 19 December 1989 to 19 June 1990 the above notes will carry a rate of interest of 8 7/8 per cent per annum with a coupon amount of USD 4,328.82 per USD 100,000 note.

CHEMICAL BANK
AGENT BANK

THE KYOWA BANK, LTD.

2nd Notice to the Holders of
The Kyowa Bank, Ltd.
U.S.$100,000,000
1¾ per cent.
Convertible Bonds
Due 2002 (The "Bonds")
issued on 24th August, 1987

Notice was given on 1st December, 1989 with respect to expected adjustments of the Conversion Price for the Bonds resulting from the issue of 35,000,000 shares of common stock of the Bank by public offering on 20th December, 1989 (the "Share Issue"), in Japan.

However, as a result of fixing prices for the Share Issue pursuant to the 2nd resolution of the Board of Directors of the Bank regarding these issues adopted on 1st December, 1989, at the levels set out below, no adjustments have been necessary. Consequently the Conversion Price for the Bonds remains at ¥1,381 per Share.

The details are as follows:
1) Issue price per Share applicable to the Share issue: ¥1,583 per Share
2) Current market price per Share to be compared: ¥1,550.7
3) Conversion Price for the Bonds before calculation of adjustment: ¥1,381

The Kyowa Bank, Ltd., London Branch
as principal paying Agent

NOTICE TO HOLDERS OF
EUROPEAN DEPOSITARY RECEIPTS
(EDRS) IN
PIONEER ELECTRONIC
CORPORATION

We are pleased to announce that *copies of the 44th Semi-Annual Business* Report for the six months ended 30th September, 1989 of Pioneer Electronic Corporation are now available to EDR Holders upon application to The Bank of Tokyo, Ltd., 20-24 Moorgate, London, EC2R 6DH, and the Agent, The Bank of Tokyo (Luxembourg) S.A., Residence St. Esprit, 1-3, *rue* du St. Esprit, 1475 Luxembourg.

Bank of Tokyo
International Limited
(London Depositary)

21st December, 1989

LEGAL NOTICES

STRAND THEATRICAL PRODUCTIONS
LIMITED

I, Roger William Cork, of Cork Gully, Shelley House, 3, Noble Street, London, EC2V 7DQ was appointed Liquidator of the above-named Company on the 8 December, 1989 by the Members.

Dated this 15 day of December, 1989

R.W. Cork
Liquidator

PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION

MONOPOLIES & MERGERS COMMISSION
Competition Act 1980
(Section 11)
INQUIRY INTO CIVIL AVIATION AUTHORITY

The Secretary of State has asked the Commission to investigate the efficiency and costs of the Civil Aviation Authority and the effectiveness of its provision of navigation and air traffic control services with particular emphasis on the effectiveness of its management and planning systems in respect of its major new investment programme.

Anyone wishing to obtain a copy of the full terms of reference or to submit evidence should write to: The Secretary, *Monopolies and Mergers Commission*, New Court, 48 Carey Street, London WC2A 2JT.

Any evidence should be submitted no later than 19 January 1990.

CONTRACTS & TENDERS

REPUBLIQUE DU ZAIRE
DEPARTEMENT DU COMMERCE EXTERIEUR.
SOCIETE NATIONALE DE TRADING
"S O N A T R A D"

APPEL D'OFFRES INTERNATIONAL
N°DTR/AC-FIN/T-137/89
POUR LA FOURNITURE DE: TRAVERSES
EN BOIS POUR APPAREILS DE VOIE

1. *OBJET.*
La Société Nationale de Trading "SONATRAD" met en Adjudication publique la fourniture des traverses en bois pour appareil de voie, destinés à l'Office National de Transport (ONATRA)
Ce dernier a demandé à l'I.D.A. (INTERNATIONAL DEVELOPMENT ASSOCIATION) un crédit en vue de financer le 1er projet de réhabilitation du secteur des transports au Zaire (volet) CREDIT "1180 ZR": les sommes accordées au titre de ce crédit seront utilisées notamment pour effectuer les paiements autorisés dans le cadre du marché pour lequel le présent appel d'offres est lancé.

2. DESCRIPTION DES FOURNITURES.
Le présent appel d'offres porte sur la fourniture CIF MATADI par les fournisseurs extérieurs et CIF KINSHASA par les fournisseurs intérieurs, du matériel suivant:

LOT 1: 10 jeux de 63 traverses en bois dur traité brute de sciage non percé pour branchements 1/12è 50 Kgs (Réq. n° 931.049/B).

LOT 2: 1.575 traverses en bois dur traité brute de sciage non percé pour branchements 1/12e 50 Kgs (Réq. n° 531.533).

LOT 3: 1.300 traverses en bois dur traité brute de sciage non percé pour branchements. 1/12e 40 Kgs (Réq. n° 531.533)

3. RETRAIT DU DOSSIER D'APPEL D'OFFRES.
Le dossier complet d'appel d'offres peut être obtenu contre remise d'un chèque barré d'un montant de 150.000 Zaires ou 15.000 francs belges, à partir du 13 Novembre 1989 aux adresses suivantes:

1. SOCIETE NATIONALE DE TRADING - "SONATRAD"
BUILDING C.C.I.Z. - 22è NIVEAU - B.P. 15.711 - KINSHASA/I
TELEPHONE: 30.592 - 30.598 - 32.304 - 24.967
TELEX: 21.634
TELEFAX: 30.592
REPUBLIQUE DU ZAIRE

2. SOCIETE NATIONALE DE TRADING - "SONATRAD"
AGENCE DE BRUXELLES
15, RUE DE LA LOI, BOITE 052 B-1040 BRUXELLES
TELEPHONE: 02/230.37.97
TELEX: 26.444
TELEFAX: 02/230.47.62
ROYAUME DE BELGIQUE

3. SOCIETE NATIONALE DE TRADING - "SONATRAD"
AGENCE DE LUBUMBASHI
225, AVENUE MSIRI - B.P. 1573 - LUBUMBASHI
TELEPHONE: 22.53.71 - 22.52.49
REPUBLIQUE DU ZAIRE

4. PARTICIPATION.
La participation à la concurrence est ouverte à égalité de conditions à tout fournisseur ressortissant des pays membres de la BIRD y compris la Suisse, Taïwan et Chine.

5. REMISE ET OUVERTURE DES OFFRES.
Les offres seront remises sous double enveloppe cachetée, par envoi postal recommandé ou par porteur contre accusé de réception, à:
SOCIETE NATIONALE DE TRADING "SONATRAD"
BUILDING C.C.I.Z. - 22è NIVEAU
B.P. 15.711 - KINSHASA/I
TELEPHONE: 30.592 - 30.598 - 32.304
TELEX: 21.634
REPUBLIQUE DU ZAIRE
Avant le 15 Janvier 1990 à 10 heures locales, date et heure auxquelles il sera procédé à l'ouverture des offres en la salle de réunion du 22è niveau Building C.C.I.Z.

"LA SOCIETE NATIONALE DE TRADING "SONATRAD"

COMMODITIES AND AGRICULTURE

Brussels aims for farm price freeze

By Tim Dickson in Brussels

THE EUROPEAN Community's policy of trying to direct more of its agricultural support towards small farmers was reflected yesterday when the 1990-91 price proposals were unveiled in Brussels.

The complex package – which if adopted would mean a broad freeze in support spending across the Community once agri-monetary changes are taken into account – places considerable emphasis on rural development for the first time by offering a series of measures for producers whose structures are weak.

Among the proposals, for example, is a new "buy out" scheme designed to redistribute milk quotas to farmers in mountain and so-called less favoured areas, as well as a new direct aid scheme for sheepmeat producers in similar regions.

By far the bulk of the EC's farm resources will as in the past be spent on price guarantees – but the significance of yesterday's package is that the Commission is starting to put into effect the ideas set out last year in its policy paper on "the rural world." It is estimated that over the last year more than Ecu1bn (£730m) has been targeted at small farmers in the EC's less developed communities.

Mr Raymond MacSharry, the EC's Agriculture Commissioner, said yesterday that notwithstanding lower stocks for the major products "there can be no relaxation in the Community's efforts to keep the markets in balance." Further justifying what Brussels sees as a continuation of its tough approach, he pointed out that there had been a "substantial" increase in farm incomes in 1989 of 7 per cent in real terms (against 1.2 per cent in 1988), though this had varied considerably from level pegging in Ireland and Spain to a 25.9 per cent jump in Denmark where pigmeat prices have been good.

Farm incomes in the livestock sectors had improved in almost all member states and to a lesser extent from arable crops such as sugar-beet and oilseeds – but incomes from cereals, he admitted, "were once more under pressure."

Among the principal market sectors the Commission has proposed a price freeze for cereals (except hard wheat which goes down by 3.78 per cent), sugar, oilseeds, butter, skimmed milk powder, and beef.

Reflecting concern at the build up of stocks in each case, a package of measures on wine involving compulsory distillation, enrichment and planting rights will be presented before the end of 1990, while a general review of the tobacco sector and further proposals on quality improvement and intervention measures have been promised for next year.

With a view to "external aspects," the Commission is proposing to reduce the milk target price by 3.5 per cent, the beef guide price by 2.5 per cent and the pigmeat basic price by 6 per cent. This will affect the calculation of export subsidies and import levies but according to a Commission official last night, "has no impact on market prices."

The Commission's agri-monetary proposals, meanwhile, continue the process of removing monetary compensatory amounts, the system of border taxes and subsidies designed to iron out currency fluctuations and smooth distortions in trade.

It is proposed to remove the existing "monetary gaps" for most currencies within the European Monetary System, with West Germany's positive MCA for cereals a notable exception where the proposal is to reduce it by half to 0.7 per cent. For Spain and the UK the proposal is to dismantle one third of the gap existing at the time of the adoption of the prices package by the Council of Ministers, while for Greece the plan is to dismantle the gaps existing at the time of adoption by the rate of inflation, minus 5 per cent.

Asked about the Commission's longer term plans to abandon the controversial "switchover" – the system which since 1984 has created a huge gap between the actual Ecu on the one hand and the green Ecu used to translate common prices into national currencies on the other – Mr MacSharry refused to be drawn. He said that Brussels would come forward with "appropriate proposals" next year but that these would not form part of the price negotiations.

The new proposals for small producers include:

- Aid for producers of arable crops, including oilseeds, with less than 20 hectares. The aid would be Ecu50 per hectare in less favoured areas, and Ecu30 per hectare elsewhere.
- Aid for producers of minor cereals like buckwheat, millet, and canary seed.
- The extension of the suckler cow premium to small producers with mixed herds.
- The buy-out scheme for milk quotas. The Commission is proposing that the EC pay Ecu36 per 100kgs for milk produced outside the disadvantaged areas and that this would then be redistributed to producers inside these areas. The budget ceiling has been fixed at Ecu170m, which implies a maximum of 500,000 tonnes.

Mr MacSharry emphasised that the bulk of the additional costs of the price package – Ecu432m in 1990, Ecu690m in 1991 – are associated with the "rural development elements." The proposals, it was stressed, "are well within the possibilities" of the Ecu26.522bn. farm budget for 1990.

Effect of the Proposals on Support Prices

	In Ecu terms	In national currencies
Belgium	−1.9%	−1.9%
Denmark	−2.3%	−2.3%
West Germany	−1.5%	−2%
Greece	−1.1%	+7.8%
Spain	−0.4%	−1.2%
France	−0.7%	+0.7%
Ireland	−0.4%	+0.7%
Italy	−1.3%	+0.1%
Luxembourg	−0.6%	−0.6%
The Netherlands	−1.9%	−1.9%
Portugal	+0.7%	+5.4%
UK	−0.8%	+4.1%

Source: European Commission

Brazilian court clears way for sugar sales

By John Barham in Sao Paulo

A RIO de Janeiro court has ordered Cacex, the Government's foreign trade department, to authorise the export of 98,000 tonnes of white sugar.

The exports are a key component in a complex reorganisation of Brazil's export commitments to the US and commodity traders. The court's decision seems to mark the beginning of the end of a tense diplomatic and bureacratic tussle between Brasilia and Washington that has lasted almost two months.

Mr Haroldo Faria, an executive at the Rio de Janeiro office of Sucres et Denrees, a French commodity trader, said: "The Government is committed to honouring the contracts, but because a political decision was slow in coming, we had to apply for a court ruling." He said Cacex should begin issuing the licences today.

An official of the Government's Sugar and Alcohol Institute (IAA), which is responsible for Brazil's sugar policies, said: "The order obliges Cacex to issue the licences. Technically, it is a temporary order, because Cacex could appeal to the Supreme Court, but the order allows loading to begin irrespective of an appeal."

Cacex, which is nominally subordinate to the Finance Ministry, had refused to issue licenses because it argued that the export contracts were not legal and that federal law forbade it from issuing licenses for goods sold at below market prices.

The Finance Ministry, which tried to make Cacex approve the exports, admitted the sugar would be sold for $18m less than its present market value.

The disputes began when it became clear that the IAA did not have enough sugar to fulfil the original contracts. The forward contracts, which were signed over four years ago, called for shipments of 370,000 tonnes of demerara sugar at prices which are now more than 50 per cent below the international market. Brazil was also unable to fill its US import quota, which gives sugar exporters access to the restricted American market at above market prices. Brazil must ship 98,000 tonnes of sugar to the US by December 31. Its US 1989-90 quota is 311,000 tonnes.

To settle the claims of the US and the traders, the IAA rescinded the original contracts in November. It substituted the demerara exports with 170,000 tonnes of more expensive white sugar, as well as ceding the right to Brazil's US quota. But only 60,000 tonnes has been shipped so far.

Ending tax inventives has not cut forestry grant applications

By James Buxton, Scottish Correspondent

THE FORESTRY Commission is receiving applications for tree planting grants at a rate "pretty much the same" as that prevailing before the Government abolished tax incentives for tree planting in the 1988 budget.

Sir Raymond Johnstone, chairman of the Forestry Commission, said that applications for the increased grants which had replaced the controversial tax incentives were being received at the rate of 3,000 hectares a month. Applications for nearly 50,000 ha of new planting had been received in the first 15 months of the new system.

But Sir Raymond, presenting the Forestry Commission's 1988-89 annual report, acknowledged that the changes in incentives for tree planting had "raised serious questions over the likely level of new planting over the next few years."

Whereas private woodland owners planted an unprecedented 25,000 ha of new woodland in 1988-89 under the old system, it was expected that only 12,000 to 16,000 ha would be planted in the current financial year. In the first six months of the year grants were paid for more than 10,000 ha of new planting, of which 20 per cent was of broad-leaved trees. The Government target for planting is 33,000 ha a year.

Sir Raymond said that changes such as those which the Government had made "always require a period of adjustment." In the past he has said that if tree planting failed in due course to recover the Government would examine what needed to be done.

The Forestry Industry Committee of Great Britain, representing timber growers and users, has already expressed concern about the situation and called for higher and more broadly-based grants.

The figures for grant applications only provide a rough guide to future planting since not all applications may be approved, nor may all approvals be acted upon. Woodland owners have five years to plant after a grant is approved.

Mr Gwyn Francis, director general of the Edinburgh-based organisation, spelt out details of the planned sale to the private sector of further Forestry Commission land, following an instruction in June from Mr Malcolm Rifkind, Scottish Secretary, to sell off 100,000 ha of its 915,000 ha of land by the year 2000.

Some 64,000 ha would be sold in Scotland, 22,000 ha in England and 13,000 ha in Wales. It was expected to raise about £150m for the Treasury. Since 1981 the commission sold 143,000 ha, raising £124m.

During 1988-89 the Forestry Commission harvested 3.6m cubic metres against 3.4m cu m in the previous year. It earned £84.3m (1987-88: £83.4m) from timber sales and used grants in aid from the Government of £53.5m.

Growers seek palm oil association

By Lim Siong Hoon in Kuala Lumpur

MALAYSIA'S PALM oil growers are stepping up pressure on their Government to form a producers' association with Indonesia, and Papua New Guinea. Weak prices have made it necessary, says the Malaysian Oil Palm Growers' Council.

While growers press their case, the Palm Oil Registration and Licensing Authority has been drawing flak at home and abroad for unsettling the market. Its report last month that there was 1m tonnes in palm oil stocks at the end of October triggered a 20 per cent fall in prices to below 600 ringgit (£138) a tonne.

End-November stocks were higher still, rising by 12 per cent to 1.14m tonnes, according to Porla.

Despite this apparent gloomy picture, which the growers' council says will last another year (and Porla agrees), palm oil prices in the Kuala Lumpur market have actually been recovering.

January contracts are settling at around R630, up by 10 per cent from the low levels early this month.

In reply to its critics, Porla says its statistics are not speculative but actual figures reported to it by local producers. The authority is a government body and reporting stocks to it is required by law.

Lately, London merchants joined local traders to accuse Porla of releasing unrealistic figures.

Malaysian growers were silent in the dispute. Instead they held talks with the Government to suggest the formation of an association of palm oil producing countries, along the lines of the tin producers' organisation.

The palm oil association would pool the resources of the three South-east Asian countries in marketing and research, the growers' council said.

There was no public response from the Malaysian Government; earlier this year it had met the Indonesians to suggest such a collaboration but nothing came of it.

Papua New Guinea's inclusion in such a venture is a new idea. The country exported 84 per cent of its 156,000-tonne output last year. Malaysia accounts for 60 per cent, over 5m tonnes, of the total world oil output, nearly all of it exported. Indonesia exported about 900,000 tonnes out of its 1.4m production last year. In all, this year's output of the three countries combined is likely to exceed 7.5m tonnes.

Oil price holds steady despite Panama fears

By Maurice Samuelson

OIL PRICES remained stable yesterday despite overnight uncertainty on the Japanese markets before the US military action in Panama.

An hour before trading ended in London yesterday, however, Brent blend, the North Sea marker crude was 5 to 10 cents below Tuesday's closing price.

Traders had by then heard of the closure of the Canal and the Trans Panama pipeline and recognised their lack of strategic importance to world oil movements.

The pipeline, with a throughput capacity of 570,000 b/d of crude, currently handles only 360,000 b/d compared with the non-communist world's demand for 50m b/d.

Even less oil is shipped through the Canal, which is far more important to coal and grain cargoes.

BP, which sends Alaskan North Slope crude through the pipeline, told Reuter in Houston yesterday that it had been shut pending an inspection by Northville Industries, the operator, which later said it was expected to reopen to-morrow.

Most Alaskan oil is market on the US west coast. If the Panama route were blocked, BP could supply its Atlantic and European customers by shipping cargoes around Cape Horn.

The Americans, who operate the Canal, closed it shortly after the military action began yesterday morning. But later the Panama Canal Commission, which oversees canal operations, said it planned to reopen it to-day.

- The Suez Canal was also closed yesterday after a Liberian tanker was disabled. It was the first time that the Panama and Suez Canals had been shut on the same day.

Nickel mine sale falls through in Philippines

By Greg Hutchinson in Manila

THE SALE of the Philippines' Nonoc nickel mine to a local consortium has fallen through and work on rehabilitating the mothballed mine has ceased.

The future of the $325m sale of Nonoc Mining and Industrial Corporation had been in doubt since the buyers' failure to pay $70m or settle liabilities to various creditors on September 30.

An official of the country's Asset Privatisation Trust said the failure to meet the September deadline had terminated the August 1 memorandum of agreement with Philippine Mining and Industrial Corporation (Philnico), a company set up by Nonoc's former owner, Mr Jesus Cabarrus for the purpose of rehabilitating and operating the mine.

But he said a renegotiated sale was being looked at by the APT and Mr Cabarrus, which could involve the acquisition of shares in the venture rather than the physical assets of Nonoc.

Mr Peter Matheson, executive director of Dallhold Nickel Management, part of the private family arm of Alan Bond's empire, last October expressed interest in gaining Nonoc through entering a service contract with the APT.

Earlier this year Dallhold negotiated for Nonoc only to be thwarted by national foreign equity restrictions among other problems.

The service contract proposal would by-pass the 40 per cent limit on foreign ownership of natural resource projects, but the APT – the role of which is to dispose of assets and not to oversee their operation – is lukewarm about the proposal.

Nonoc has been dormant since March, 1986 when insufficient operating cash led to a strike and shut it down.

Rubber price fall defies fundamentals

By Lim Siong Hoon

THE INTERNATIONAL Natural Rubber Organisation, is the missing player in the Kuala Lumpur rubber market, where prices have fallen 2 cents below its "may buy" intervention level of 185 Malaysia/Singapore cents a kilogram.

The daily indicator price, a composite of three rubber grades traded in Kuala Lumpur, Singapore, London, and New York, is lower still, at around 182 cents, but it has been firming this week.

The Kuala Lumpur market's January contract for RSS No. 1, the Malaysian benchmark grade, touched 223 Malaysian cents a kilogram last week but rallied to 225 cents early this week, the level for the past two days.

The weakness of the market is in defiance of statistics that world natural rubber consumption, according to the Malaysian Rubber Exchange and Licensing Board, is exceeding supply. Stocks have been made available through direct trade, the board said.

A typhoon in southern Thailand, where rubber trees were struck down, and the present monsoon season in Malaysia were expected to curtail production further, it added, so a deficit supply would come to bear on the market sooner or later.

Inro's buffer stock manager has been giving a similar message; that fundamentals are strong and market intervention for the rest of the year is probably unnecessary.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE PANAMA invasion was shrugged off in the commodity markets yesterday. The gold price remained flat, as did copper and aluminium on the LME. Copper is expected to remain relatively steady so long as there is uncertainty over Panama – but the long-standing bear trend remains intact, analysts said. Aluminium shipments from Venezuela to Japan could be affected if the canal is closed for any length of time, traders said. Prices on Biffex rose sharply in the morning session, but closed more or less unchanged on speculation that the canal's closure would be short-lived. A four-point fall in the Baltic Freight Index to 1,592 and weak rates for grain from the US Gulf to the Continent also brought home that physical rates were still showing weakness amid seasonally quiet chartering, dealers said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.95-7.00w	-.045
Brent Blend	$19.50-9.55w	
W.T.I. (1 pm est)	$21.28-1.31w	-0.09
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$192-194	+1
Gas Oil	$218-219	+½
Heavy Fuel Oil	$107-109	-3
Naphtha	$172-173	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$413.75	-0.50
Silver (per troy oz)♣	558c	
Platinum (per troy oz)	$510.00	+1.85
Palladium (per troy oz)	$136.50	-0.26
Aluminium (free market)	$1595	+10
Copper (US Producer)	107⅞-112c	
Lead (US Producer)	39.5c	
Nickel (free market)	420c	-15
Tin (Kuala Lumpur market)	18.45r	
Tin (New York)	321c	+1
Zinc (US Prime Western)	73¼c	-⅛
Cattle (live weight)†	111.85p	-3.09*
Sheep (dead weight)†	207.05p	+7.86*
Pigs (live weight)†	83.28p	-2.45*
London daily sugar (raw)	$329.6t	-4.8
London daily sugar (white)	$377.0t	-0.5
Tate and Lyle export price	£318.5	-2.0
Barley (English feed)	£117v	
Maize (US No. 3 yellow)	£131.25z	
Wheat (US Dark Northern)	£132	
Rubber (spot)♥	55.50p	+0.50
Rubber (Jan)♥	58.00p	+0.50
Rubber (Feb)♥	59.00p	+0.50
Rubber (KL RSS No 1 Jan)	227.0m	+0.5
Coconut oil (Philippines)§	$437.5x	-2.5
Palm Oil (Malaysian)§	$255	-5
Copra (Philippines)§	$260	
Soyabeans (US)	£174.5z	+0.5
Cotton "A" Index	76.80c	-0.70
Wooltops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	648	645	648 642
Mar	633	632	633 629
May	642	642	643 639
Jul	660	657	659 653
Sep	680	674	676 671
Dec	696	697	699 695
Mar	715	717	719 714

Turnover: 3063 (7088) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Dec 20 739.87 (737.12):10 day average for Dec 21 748.26 (750.35)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	647	645	648 640
Mar	645	642	648 639
May	658	657	662 654
Jul	677	676	680 672
Sep	695	697	700 692
Nov	714	714	719 710
Jan	738		738 730

Turnover: 2796 (6034) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Dec 19: Comp. daily 60.70 (60.91). 15 day average 61.50 (61.55)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	289.40	300.60	300.60 287.00
May	291.20	301.00	300.60 289.20
Aug	290.60	297.80	297.40 288.40
Oct	285.00	291.60	291.40 283.80
Dec	281.00	289.00	285.00
Mar	271.20	277.60	277.40 271.00
White	**Close**	**Previous**	**High/Low**
Mar	364.00	373.50	373.50 363.00
May	369.00	377.50	377.00 368.00
Aug	377.00	386.00	383.00 382.50
Oct	352.00	360.00	358.50 350.00
Dec	340.50	349.50	
Mar	340.50	349.00	348.00 340.00

Turnover: Raw 3804 (1502) lots of 50 tonnes. White 1583 (1196)

Paris- White (FFr per tonne): Mar 2200, May 2237, Aug 2305, Oct 2145, Dec 2097, Mar 2107.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Feb	19.50	19.55	19.62 19.48
Mar	18.99	19.07	19.30 18.99
Apr	18.65	18.70	18.85 18.65
IPE Index	19.58	19.51	

Turnover: 9095 (7256)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jan	208.50	208.75	213.25 208.50
Feb	192.00	194.00	197.00 191.50
Mar	177.50	180.00	182.00 177.25
Apr	167.75	170.50	171.50 167.75
May	165.00	167.00	167.50 165.00
Jun	160.50	162.00	163.50 160.50

Turnover 10920 (10017)lots of 100 tonnes

WOOL

The Christmas recess has started and Australian auctions do not resume until the week beginning the January 8. The Australian Wool Council has started moves to increase the maximum wool tax to 15pc. The maximum is now 10pc, with 8pc actually paid in 1989-90. The extra finance is to support stock levels and borrowing. Buying interest in wool in consuming countries remains subdued and highly price conscious. There is no sign of revived Chinese interest which is vital to a better world balance. Bradford prices are unchanged with no major currency influence at present.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 16,300 tonne
Cash	1593-5	1586-8	1597/1595	1597-8		
3 months	1601-2	1594-5	1605/1588	1600-2	1604-5	34,720 lots
Copper, Grade A (£ per tonne)						Ring turnover 28,025 tonne
Cash	1492-4	1486-90	1499/1497	1497-8		
3 months	1506-7	1494-5	1515/1505	1509-10	1505.5-06	68,957 lots
Lead (£ per tonne)						Ring turnover 6,675 tonne
Cash	428-9.5	426-8	434/429	431-2		
3 months	427-8	425-6	428/426	427-8	427-8	9,940 lots
Nickel ($ per tonne)						Ring turnover 1,488 tonne
Cash	8900-50	9275-375	9100	9100-50		
3 months	8200-50	8375-425	8325/8225	8225-50	8200-50	6,666 lots
Tin ($ per tonne)						Ring turnover 575 tonne
Cash	6930-50	6920-40	6960	6940-50		
3 months	7060-80	7050-60	7085/7050	7075-85	7040-50	6,234 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 12,175 tonne
Cash	1490-500	1500-10	1520/1505	1515-20		
3 months	1345-50	1351-2	1362/1345	1357-60	1345-50	14,944 lots
Zinc ($ per tonne)						Ring turnover 5,100 tonne
Cash	1400-10	1385-90		1395-405		
3 months	1335-45	1325-30		1335-45	1320-30	1,516 lots

LME Closing £/$ rate: SPOT: 1.6015 3 months: 1.5769 6 months: 1.5527 9 months: 1.5311

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	208.9	209.5	209.5 208.8
May	233.3	235.0	233.5

Turnover 34 (47) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Feb	142.00	142.00	142.00

Turnover 35 (26) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Dec	1599	1601	
Jan	1647	1641	1659 1645
Apr	1668	1660	1676 1668
Jul	1405	1402	1405
Oct	1520	1515	
BFI	1592	1596	

Turnover 303 (181)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	113.05	112.60	113.05 112.65
Mar	116.95	116.50	116.60 116.50
May	120.40	119.95	120.35
Jun	122.00	121.60	
Sep	106.25	106.25	
Nov	109.65	109.60	109.65
Barley	**Close**	**Previous**	**High/Low**
Jan	110.60	110.25	110.60 110.50
Mar	113.05	112.60	113.05 113.00
May	114.90	114.50	

Turnover: Wheat 340 (279), Barley 20 (144). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	108.0	108.0	
Apr	108.0	108.5	
Jun	107.8	109.0	

Turnover 0 (19) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	413½-414	258-258½
Opening	412½-413	258-258½
Morning fix	413.15	258.461
Afternoon fix	412.40	257.425
Day's high	414½-415	
Day's low	411½-412	
Coins	**$ price**	**£ equivalent**
Mapleleaf	422-427	263½-266½
Britannia	422-427	263½-266½
US Eagle	422-427	263½-266½
Angel	422-427	263½-266½
Krugerrand	413-416	258-260
New Sov.	97-99	60½-61½
Old Sov.	97-99	60½-61½
Noble Plat	516.10-524.30	322.75-327.90
Silver fix	**p/fine oz**	**US cts equiv**
Spot	348.65	557.75
3 months	361.30	569.10
6 months	374.30	580.60
12 months	399.65	603.80

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1500	105	109	1	9
1600	22	44	18	42
1700	1	12	95	108
Copper (Grade A)	**Calls**		**Puts**	
2250	140	165	3	43
2350	60	106	23	81
2450	16	63	78	136
Coffee	**Mar**	**May**	**Mar**	**May**
600	58	72	12	14
650	27	41	33	33
700	13	27	69	69
Cocoa	**Mar**	**May**	**Mar**	**May**
600	50	65	17	23
650	24	38	41	46
700	10	20	77	78
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1850	104	84	6	
1900	64	56	15	
1950	34	34	26	

US MARKETS

IN THE METALS, choppy trading was seen in all markets due mostly to the ongoing war with Panama, reports Drexel Burnham Lambert. Large volume traders stayed on the sidelines because of the upcoming holidays. In the softs, heavy selling from trade and funds sank the sugar. Commission house sell stops also added weakness to the days most active market. Coffee posted modest gains from price-fix buying. Cocoa trading was dominated by local traders. The grains had lower soybean prices due to commission house activity. The rest of the markets had uneventful sessions. Orange juice futures posted another strong rally while cotton remained weak. Crude rose early in the session, but profit taking later on pared gains. Heating oil continued higher on technical buying while gasoline closed lower afer sideways trade. The livestocks had a limit down move in the bellies due to sell stops and lack of fresh buying. Live hogs and cattle fell from spillover selling.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	413.6	411.9	414.8	412.0
Jan	415.1	413.7	0	0
Feb	417.5	416.1	418.5	415.5
Apr	422.5	421.1	423.7	420.6
Jun	427.6	426.2	428.5	426.0
Aug	432.3	430.9	431.7	431.7
Oct	437.2	435.8	0	0
Dec	442.3	440.9	442.5	441.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	515.5	511.9	517.5	513.0
Apr	521.4	517.4	522.5	518.5
Jul	526.9	522.9	526.0	526.0
Oct	533.5	529.9	532.7	532.5
Jan	540.5	536.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	554.8	552.7	567.0	554.0
Jan	556.6	554.8	0	0
Feb	560.3	558.5	0	0
Mar	564.8	563.0	567.9	563.0
May	572.9	571.0	578.0	571.5
Jul	581.0	579.1	584.0	580.5
Sep	589.1	587.0	590.0	590.0
Dec	600.9	598.5	608.0	597.0
Jan	604.5	602.1	0	0
Mar	612.7	610.4	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 20	Dec 19	mnth ago	yr ago
1808.0	1807.8	1844.7	1941.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec 19	Dec 18	mnth ago	yr ago
Spot	127.90	128.28	129.67	142.22
Futures	129.83	130.05	131.39	146.02

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	106.50	106.20	107.30	106.40
Jan	105.30	104.80	106.00	105.00
Feb	105.20	104.60	105.30	105.30
Mar	104.70	104.40	105.50	104.20
Apr	104.10	103.80	0	0
May	103.50	103.20	104.00	103.50
Jun	103.20	102.80	0	0
Jul	102.70	102.40	102.90	102.40
Aug	102.50	102.10	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	21.30	21.28	21.61	21.16
Mar	20.75	20.79	21.08	20.65
Apr	20.37	20.40	20.70	20.30
Jul	19.60	19.70	19.92	19.60
Aug	19.45	19.50	19.70	19.35
Sep	19.30	19.34	19.48	19.30
Oct	19.20	19.21	19.41	19.15
Nov	19.10	19.13	19.36	19.22

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	7605	7301	7700	7530
Feb	6695	6655	6755	6630
Mar	6005	6054	6105	5970
Apr	5625	5646	5700	5590
May	5390	5385	5460	5360
Jun	5255	5245	5325	5230
Jul	5200	5190	5270	5200
Aug	5260	5235	5260	5250
Sep	5340	5320	5340	5340

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	918	915	920	907
May	922	919	924	913
Jul	934	932	935	924
Sep	954	953	955	944
Mar	997	993	997	990
May	1007	1006	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	78.14	76.47	78.25	76.80
May	79.92	78.66	80.40	78.80
Jul	82.25	80.89	82.75	81.40
Sep	84.75	83.10	85.00	83.60
Dec	87.25	86.13	87.30	86.90
Mar	91.13	89.00	89.75	89.75
May	93.38	90.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	12.78	13.90	12.76	12.75
Mar	13.07	13.62	13.58	13.04
May	13.10	13.61	13.61	13.07
Jul	13.06	13.49	13.46	13.00
Oct	12.81	13.15	13.13	12.65
Mar	12.31	12.63	12.62	12.31
May	12.26	12.63	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	66.86	67.47	67.30	66.66
May	67.60	68.20	68.00	67.25
Jul	67.60	68.08	67.90	67.25
Oct	64.25	64.78	64.70	64.26
Dec	62.86	63.40	63.35	62.60
Mar	63.52	64.02	0	0
May	64.10	64.60	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	134.45	132.45	137.00	132.50
Mar	136.25	133.20	138.00	134.20
May	135.00	132.80	137.25	133.50
Jul	135.00	133.10	136.50	133.00
Sep	133.50	131.20	134.00	131.50
Nov	132.10	130.60	0	0
Jan	127.00	0	126.50	125.60
Mar	127.00	124.95	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	573/6	578/4	578/4	573/4
Mar	587/0	593/0	592/4	586/4
May	600/4	605/4	605/0	600/0
Jul	610/0	614/4	616/0	610/0
Aug	612/2	616/4	616/0	612/2
Sep	611/0	615/0	614/0	610/4
Nov	615/6	619/4	621/2	615/0
Jan	624/4	629/0	629/0	624/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	19.03	19.06	19.09	18.90
Mar	19.46	19.58	19.54	19.45
May	19.89	19.88	19.94	19.85
Jul	20.15	20.22	20.20	20.12
Aug	20.20	20.25	20.25	20.18
Sep	20.25	20.25	20.35	20.21
Oct	20.31	20.29	20.42	20.28
Dec	20.38	20.35	20.45	20.38

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	182.4	183.9	183.8	182.1
Mar	181.4	182.8	182.7	181.3
May	181.5	182.9	182.5	181.2
Jul	182.6	183.9	183.7	182.5
Aug	183.3	184.2	184.2	183.3
Sep	184.1	184.9	185.0	184.0
Oct	184.6	184.7	186.0	184.6
Dec	186.1	185.6	187.0	186.1

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	238/4	238/6	238/6	238/0
May	243/2	243/4	243/4	242/6
Jul	247/2	247/2	247/4	246/6
Sep	245/6	246/6	247/4	245/6
Dec	245/6	253/4	253/4	252/2
Mar	252/4	253/4	263/4	252/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	413/0	414/2	416/0	412/6
May	390/6	391/2	393/0	390/2
Jul	360/0	361/2	362/2	359/4
Sep	365/0	366/2	367/6	365/0
Dec	378/0	378/4	378/0	376/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.82	78.92	79.15	78.70
Feb	76.40	76.62	76.70	76.30
Apr	74.57	74.87	74.87	74.52
Jun	71.10	71.65	71.70	71.05
Aug	71.02	71.32	71.40	71.00
Oct	71.35	71.60	71.60	71.30
Dec	71.70	71.80	72.25	71.70

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	52.67	53.45	53.40	52.30
Feb	49.12	49.97	49.85	49.07
Apr	45.27	45.65	45.85	45.15
Jun	48.62	49.05	49.05	48.52
Jul	48.62	49.15	49.10	48.50
Aug	47.42	48.05	47.90	47.35
Oct	43.45	43.90	43.70	43.45
Dec	45.55	45.82	45.87	45.55

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.60	51.60	51.97	49.60
Mar	49.32	51.32	51.66	49.32
May	49.67	51.67	51.90	49.67
Jul	49.62	51.57	51.90	49.57
Aug	47.90	49.90	49.90	47.90
Feb	51.02	53.02	52.80	51.02
Mar	50.95	52.95	0	50.95

LONDON STOCK EXCHANGE

Buyers move back in to blue chips

The depression that settled over London's equity market on Tuesday was lifted yesterday by a series of economic numbers which injected confidence into the market, a more reassuring performance by Wall Street plus a boost in the form of strong crude oil prices. The latter followed news that, uniquely, the Panama Canal had been closed to shipping after the US military incursion into Panama City, causing fears of a temporary disruption of oil supplies.

Market specialists said the main bull point for the market was widespread relief that Monday's 40 points-plus slide by Wall Street, which was extended to a further 30 point fall early on Tuesday, had been successfully arrested.

Account Dealing Dates		
*First Dealings:		
Dec 11	Dec 27	Jan 15
Option Declarations:		
Dec 21	Jan 11	Jan 25
Last Dealings:		
Dec 22	Jan 12	Jan 26
Account Day:		
Jan 8	Jan 22	Feb 5

*New time dealings may take place from 9.00 am two business days earlier

The UK equity market was persistently bought from the outset, with the US performance, plus a resumption of takeover speculation, causing strong gains throughout the FT-SE 100 stocks. It was commonly acknowledged by traders that prices had been hit too hard on Tuesday when marketmakers attempted to get prices down to replenish short book positions.

Buying interest was evenly spread thoughout the list but traders said there had been concentrated support for the insurance sectors, which many observers see as ripe for European takeover activity in the New Year. Mr Andrew Goodwin of UBS Phillips & Drew said: "1990 could well see a bid in the composite sector with Commercial Union and Guardian Royal Exchange our favourites to attract predatory interest." Commercial Union, where fellow composite insurer Sun Alliance has a 14.5 per cent stake, were among the market's best performing shares.

The FT-SE 100-share index, up 6.4 at 2348.5 at the opening of the market, gave a display of strength and advanced to show a 25 points rise at the day's best level of 2,367.1 during the early afternoon. Thereafter, trading was slower with dealers anxious about the US market's response to events in Panama. In the event Wall Street, moderately lower at the outset, picked up slowly and was in positive territory as trading in London ended. The final reading for the FT-SE index was 2,360.7, a net gain of 18.6.

Looking ahead, Mr Bill Smith, market strategist at Prudential-Bache, warned that he saw little evidence to support a repeat of "the January effect" which produced spectacular gains in share prices in the first month of this year. He warned of "a further round of profits downgradings."

Turnover yesterday, still boosted by plenty of bed and breakfast trades, came out at 552.9, compared with Tuesday's 626.0m, although dealers expect a deterioration in activity and enthusiasm as the end of the pre-Christmas week draws nearer.

FINANCIAL TIMES STOCK INDICES

	Dec 20	Dec 19	Dec 18	Dec 15	Dec 14	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.45	84.16	84.04	83.99	83.66	87.28	89.29 (8/2)	82.93 (4/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.41	92.33	92.28	92.28	92.27	96.10	99.59 (15/3)	92.02 (8/12)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1866.0	1852.5	1864.5	1851.2	1871.4	1435.0	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	313.1	311.3	315.2	308.4	311.6	164.7	317.8 (13/12)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2360.7	2342.1	2358.5	2344.7	2367.0	1772.6	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.56	4.59	4.56	4.59	4.54	5.12				
Earning Yld %(full)	11.15	11.21	11.15	11.19	11.08	12.94				
P/E Ratio(Net)(☆)	10.85	10.79	10.86	10.82	10.93	9.32				
SEAQ Bargains(5pm)	35,623	32,224	26,538	29,761	32,976	18,582				
Equity Turnover(£m)†	-	1374.66	1002.11	842.51	1089.64	917.77				
Equity Bargains†	-	33,868	28,746	32,066	38,663	20,212				
Shares Traded (ml)†	-	655.4	444.9	365.6	464.4	453.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 13.79

Ordinary Share Index, Hourly changes — Day's High 1869.0 — Day's Low 1856.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1856.3	1862.8	1862.4	1868.2	1868.0	1867.6	1867.4	1863.6

FT-SE, Hourly changes — Day's High 2367.1 — Day's Low 2348.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2348.5	2355.7	2356.1	2363.0	2368.0	2365.0	2363.8	2359.1

GILT EDGED ACTIVITY

Indices*	Dec 19	Dec 18
Gilt Edged Bargains	68.0	71.4
5-Day average	73.8	75.6

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index. Tel 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	427	195	-1	Comm. Union	1,900	519	+16	Lloyds Bank	1,600	435	+1	Sears	4,000	108	+3
ASDA Group	13,000	112½	+3½	Cookson	289	259		LASMO	348	582	+1	Sedgwick	2,000	305	+1
Abbey National	3,000	172	+1	Courtaulds	588	378	-1	Lonrho	1,600	298	+5	Shell Transport	1,400	461	+6
Allied-Lyons	1,700	480	+3	Dalgety	345	433		Lucas	337	617	+2	Siebe	625	644	-4
Amstrad	791	42½	-½	Dixons	1,600	133		MB Group	936	200	+2	Slough Ests	454	331	+6
Argyll Group	1,400	208	+2	Eng. China Clays	218	432	+2	MEPC	288	537	+8	Smith (WH) A	1,000	332	
Ass. Brit. Foods	304	413	-1	Enterprise Oil	237	648		Marks & Spencer	2,100	198½	+1½	Smith & Nephew	4,300	133	+2½
BAA	1,000	380	-2	FKI	2,430	80	+3	Maxwell Comm.	212	238	+1	SmithKline Beecham	1,400	588	+8
BAT Inds.	1,300	823	+1	Ferranti	13,000	31	-3	Mecca Leisure	276	164		SmithKline Beecham Units	214	2180	+16
BET	2,100	257		Fisons	2,300	335		Midland Bank	1,900	374	+6	Smiths Inds	180	278	+1
BICC	1,400	488	-2	Gen. Accident	488	1022	+18	NatWest Bank	3,300	332	-3	Standard Charta.	2,000	[illegible]	+11
BOC	788	548	+5	General Elect.	4,100	224½	+2	Next	12,370	81½	+1½	Storehouse	7,400	107	-2
BPB Inds.	1,100	236	+2	Glaxo	1,600	785	+1	Northern Foods	608	335	+1	Sun Alliance	1,200	338	+8
BTR	3,800	462	-3	Globe Inv.	1,900	194½	-½	Pearl	0	688		Sun Life	60	1280	+2
Barclays	1,600	560	+1	Glynwed Int.	665	286	+5	Pearson	107	757	+8	T&N	111	207	+1
Bass	1,800	1080	+2	Granada	173	316	+3	P & O	338	590	+4	TI Group	1,200	418	+1
Beazer	753	185	+1	Grand Met.	1,200	613	+8	Pilkington	1,700	228		TSB	1,050	134	
Berisford Int.	858	145	+1	GUS A	123	1082	+6	Polly Peck Intl.	1,600	398		Tarmac	3,100	225	-3
Blue Arrow	970	42½	-½	GRE	874	255	+1	Prudential	2,000	228	+5	Tate & Lyle	326	279	
Blue Circle	2,400	242	+8	GKN	518	429	+1	RHM	372	422		Taylor Woodrow	380	298	+1
Boots	3,500	284	+7	Guinness	846	[illegible]	+6	RMC	408	808	-3	Tesco	1,300	198	+3
Brit. & Comm.	4,300	97	-3	Hammerson 'A'	80	840	+9	RTZ	1,500	508	+5	THORN EMI	320	774	
Brit. Aerospace	1,000	570	+8	Hanson	4,900	229½	+1	Racal	7,400	248		Trafalgar House	802	344	-4
British Airways	1,950	217½	+½	Hanson Warrants	137	38		Racal Telecom	19	387		Trusthouse Forte	744	308	+7
British Gas	3,300	228	+1	Harrisons Cros.	741	159	+4	Rank Org.	707	828	-1	Ultramar	684	368	+3
British Land	3,600	392		Hawker Sidd.	677	697		Reckitt & Colman	112	1274	+2	Unigate	515	324	+2
BP	4,100	332	+5	Hillsdown	1,200	263	+1	Redland	175	543		Unilever	1,300	708	+9
British Steel	3,300	132½	+1	IMI	579	215	+2	Reed Intl.	2,400	441	+3	United Biscuits	1,080	383	+1
British Telecom	6,200	298	+7	ICI	878	1176	+3	Reuters	671	1025	-3	Utd Newspapers	184	478	+2
Bunzl	480	194		Inchcape	1,000	590	+3	Rolls Royce	3,150	175		Wellcome	246	788	-2
Burmah Oil	274	690	+2	Jaguar	10	848		Rothmans	219	629	+4	Whitbread A	2,400	392	+8
Burton	3,800	201	-5	Kingfisher	301	354	+3	Ryl Bk Scotland	307	208	+5	Williams Hldgs.	177	288	
Cable & Wire.	1,000	519	+1	Ladbroke	2,100	331	+9	Royal Insurance	1,600	548	+13	Willis Faber	700	378	
Cadburys	2,300	343	-1	Land Securities	1,600	528	+6	STC	716	240	+1	Wimpey	802	244	+4
Calor Group	380	428	+9	Laporte	174	493	+3	Saatchi	5,200	235	-12				
Carlton Comms.	367	845	-10	Legal & General	653	414	+6	Sainsbury	458	262	+3				
Coats Viyella	4,600	136	-4	Lloyds Abbey	308	314	+2	Scottish & New.	1,300	339					

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm

Slide in Ferranti continues

Shares in Ferranti International Signal, the troubled defence electronics group, slipped as the company held what an observer called "a totally depressing meeting."

Ferranti fell 3 to 31p with 13m traded including 7.3m said to have been traded overnight in bed and breakfast deals.

One analyst said "There was no good news at the agm" and that there was a possibility of Ferranti losing out on the European Fighter radar contract. The company confirmed at the annual meeting that if no takeover materialises then it would go ahead with a £150m rights issue in February.

But another analyst said: "People just don't think the rights issue is going to work and many are just waiting to see what happens after the rights issue."

Specialists believed there was likely to be more downside in the price and one said: "If you wanted to buy these things [the shares] in any size, you would have no trouble buying them at 30p."

Coats talks off

Arbitrageurs sold Tootal after the company said it had withdrawn from talks on a merger with Coats Viyella. Trading in both stocks picked up sharply on the news with Seaq registering a total volume of 4.6m Coats shares and estimates by dealers that Tootal had turned over more than 2¼m. The former slipped to 133p before recovering to finish at 136p, a net 4 lower. Tootal bottomed at 98p before institutional bargain hunters stepped in and the shares recovered to 101p, still 10 down on the day.

Some dealers and analysts said they thought the episode was not yet over. They pointed out that Coats had bought its 29.9 per cent stake in Tootal at 133p. "It would be in Coats' interests to come back with a higher offer," said one analyst.

Land plans changed

Mr John Ritblat, head of British Land, bowed to the institutions yesterday and cancelled this morning's egm which was to vote on the restructuring of the group. British Land shares dipped initially but then recovered to close unchanged at 392p on unusually high volume of 3.6m.

One analyst said the proposals had failed because of the timescale for approval of the plans, the size of the incentive to Mr Ritblat, the valuation of property and the size of the management fee and the length of time over which it would have been paid. He said a lot of institutions were also unhappy that the vote on the proposals would have been an ordinary resolution requiring only a simple majority.

Most analysts agreed that Mr Ritblat and his colleagues were likely to make a revised offer "more beneficial to the shareholders," as one put it, and "significantly less generous to themselves," added another. It was pointed out that with the property market in the doldrums, the longer Mr Ritblat waited, the more difficult he would find it to make the sales of the large properties which are at the core of his plans.

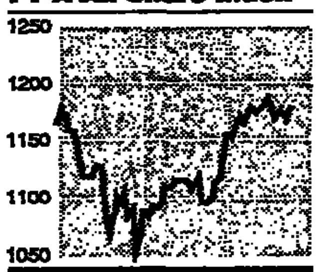
Otherwise, there was the strong possibility that British Land could become a takeover target as Mr Ritblat had "put a price tag on the company." The bid speculation had encouraged "arbitrageurs and fringe players" to come into the market because they felt downside exposure was limited.

News of the sale by SmithKline Beecham of UHU, the glue brand, for £97m helped the "A" shares climb 8 to 588p. "The disposal was expected and this was a good price," said Mr Steve Plag of BZW. "We expect between £700m and £800m of assets to be sold over the next 12 months. The proceeds will be used to cut gearing – currently over 200 per cent." A US seller of the nil paid rights in Fisons balanced UK demand and the shares closed unchanged at 335p on strong volume of 2m.

The volume of retail selling of water stocks increased as more private investors took their newly-arrived shares to market. However, institutional demand was also strong. One marketmaker called volume "phenomenal" and said there was good two-way trade. All water stocks finished better, led by Anglian which rose 7 to 155p with 15m shares traded. Northumbrian added a penny to 158p on 2.3m, Northwest 2 to 139p on 14m, Severn Trent 1 to 145p on 16m, Southern 1 to 144p on 6.3m, South West 2 to 157p on 4.3m, Thames 2½ to 146p, Welsh 3 to 145p on 6.5m and Wessex 1 to 156p. The Water Package climbed 30 to 1470p on sharply lower volume.

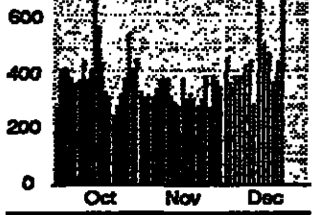
Whitbread "A" shares advanced 8 to 392p on on stories, played down by sources close to Whitbread, that it was about to sell its spirits division for £730m. The top of the range of analysts' forecasts is £600m. Nevertheless, some dealers felt there was a logic to Suntory of Japan lifting its 2.5 per cent stake in Allied Lyons as part of a deal for the latter to buy the spirits operation. Allied closed 3 firmer at 490p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Changes are being made in the sub-sections of the FT-Actuaries series of UK share indices from the beginning of 1990.

Following the takeover of Consolidated Gold Fields, the Mining Finance sector has been reduced to a single constituent, RTZ, which will be transferred to Other Industrial Materials. The Mining Finance index will be discontinued.

Mechanical Engineering is to be divided into two sectors called Engineering - Aerospace and Engineering - General.

A Water group will be created for the ten privatised water authorities; the Statutory Companies might also in due course become eligible.

Partly as a result of these changes and to allow for an Electric Utilities group to be created later, certain sector indices' numbers will change. Engineering - Aerospace will be 06, Engineering - General will be 07, Transport (now 45) becomes 44, Electric Utilities will be 45, Telephone Networks (47) changes to 46 and Water will be the new 47.

Carlton Communications had a bad day in the wake of "take profits" advice from Ms Bronwen Maddox at Kleinwort Benson. She said that the fact that Carlton did not publish a profits breakdown, and given the rate and size of Carlton's acquisitions over the past four years, there was an element of uncertainty in any assessment of the company's performance. She added that although the purchase of video special effects equipment maker Quantel this year "appeared to be a brilliant deal," it was counterbalaced by a lower level of cash generation from Technicolor. The shares closed 10 lower at 845p on moderate turnover of 367,000 shares.

News that Southeastern Asset Management had increased its stake in Saatchi & Saatchi did not persuade institutions to change their tactics of avoiding the stock. In their absence, the shares fell 12 to 235p. Dealers said that 3m of the 5m turnover on Seaq was accounted for by bed and breakfast deals.

Yellowhammer continued to slide in the wake of recent poor results. The shares closed 6 lower at 65p, half the price at which the company was floated in July 1985 and compared with a peak of 213p during the summer. Ms Lorna Tilbian at SG Warburg said that the company's problem was cost control and that billings were double those at the time of flotation.

The news that the Government order for the 3 type 23 anti-submarine frigates had been won by a rival, caused shares in VSEL, whose Yarrow and Cammell Laird yards were in the running for the contract, to ease. The shares fell 8 to 394p. One analyst said: "I didn't think the VSEL yards would win but VSEL will now have to rethink their strategy."

The prospect of a higher bid for Metal Closures, for which Wassall, made a £42.2m cash and shares bid last month, lifted the former 9 to 181p. Wassall added a penny at 179p.

News of two orders for 10 146 regional aircraft lifted British Aerospace. The shares gained 8 to 570p. County NatWest WoodMac lifted full-year profit expectations for 1989 from £290m to £329m to take account of the merger accounting of the Arlington acquisition, its property division, and proceeds from the sale of Istel. However, County has cut its forecast for 1990 from £350m to £330m citing increased launch costs for new cars and increased depreciation costs.

BTR fell back following a profits downgrading from Hoare Govett. The shares gave up 3 to 462p as Hoare Govett cut its full year forecasts for 1989 and 1990 by £20m from £1.11bn to £1.09bn in 1989, and from £1.28bn to £1.26bn in 1990.

Hoare Govett said the company was "experiencing a degree of softness" in a number of its markets particularly in Tilcon, its US aggregates business, the petrol chemicals business in Taiwan, and general weakness in BTR's consumer related businesses in the UK.

Tarmac fell 8 following a profit downgarding from Kleinwort Benson but fought back to finish the day 3 down at 225p. The revision followed a visit to Tarmac by Kleinwort.

Wiggins Group came under selling pressure on worries about its Dockland developments, and dropped 15 to 73p.

Rosehaugh leapt 46 to 518p on the the news that BPC which is affiliated with JMB Realty of a Chicago had taken a 5 per cent per cent stake. Stanhope, which is related to Rosehaugh through a number of development projects, rose in sympathy, adding 7 to close at 161p.

Asda continued to benefit from stories that the Canadian Belzberg brothers were increasing their more than 5 per cent stake in the company. The shares climbed 3½ to 112½p, but the turnover of 13m, although good was not enough to incline dealers to believe the stories surrounding the Belzbergs. An interim profits leap, from £521,000 to £2.5m, at Leeds-based cash and carry wholesaler Batleys, left the shares 18 better at 149p.

Most stores had an unexceptional day, still under the cloud of a disappointing Christmas selling period. There was seasonal good cheer however for Body Shop, 568p up 20, and Ratners, 7 more at 252p. Marketmakers believe that both are doing brisk business. The former was also helped by the traditional squeeze and the latter attracted bargain hunters below 250p.

Suggestions that Great Universal Stores had begun a long predicted share buyback operation pushed the shares 10 better at one point. But dismal turnover of 123,000 GUS "A" shares soon persuaded dealers otherwise, and the price trickled back to 1082p, a rise of 6 but an underperformance among FT-SE stocks.

Following news that traffic in the tunnels would be not be segragated Eurotunnel edged steadily up on light buying to reach 580p before slipping back to close at 573p, a net rise of 25.

Securicor Group added 10 to 895p while its subsidiary Security Services added 5 to 723p as the market once again picked suggestions up that the two companies' 40 per cent stake in Cellnet, the UK cellular telehone operation, was about to be put up for sale.

The closure of the Panama Canal for the first time in its 75-year history triggered widespread fears that the movement prompted nervousness in the oil share market, but specialists said that any disruption would probably be minimal, a view that trickled into the crude oil market where Brent crude for February delivery, up 20 cents a barrel at one point, was some 10 cents lower at the close of trading.

BP, which revealed it has sold its Mingo Logan coal assets representing some 20 per cent of its total US coal businesses, for a better-than-expected $137m, rose 5 to 332p on 4.1m. Calor moved up 9 to 428p with dealers saying the stock had been left behind during the recent advance by oil and gas stocks; "And don't forget it's a cold weather stock," said one analyst.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 19

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (50).
BRITISH FUNDS (7) AMERICANS (1) CANADIANS (1) BANKS (2) BREWERS (3) STORES (1) ELECTRICALS (2) FOODS (1) INDUSTRIALS (7) BOC, Glaves Grp., Hestair, Oy Wartsila, Ramco Oil, Serco Grp., Titan, INSURANCE (8) PROPERTY (2) SOUTH AFRICANS (4) TRANSPORT (1) TRUSTS (4) OILS (2) OVERSEAS TRADERS (1) MINES (10).

NEW LOWS (49).
AMERICANS (3) CANADIANS (1) BREWERS (1) BUILDINGS (5) CHEMICALS STORES (3) ELECTRICALS (4) ENGINEERING (6) FOODS (1) INDUSTRIALS (10) Amberley Grp., BSS Grp., Blue Arrow, Bluebird Toys, Charter Cons., Eleco, Lynx, Porth Gp., Shaw (Arthur), Silentnight, INSURANCE (1) PAPERS (5) PROPERTY (2) SHOES (1) TEXTILES (2) TRUSTS (2) MINES (2).

APPOINTMENTS

Chairman of Porvair

■ Mr John Morgan, managing director and a member of the original management buyout team, has been apppointed chairman and chief executive of PORVAIR. He succeeds Mr Joe Clegg who has retired. Mr Anthony R. Collinson has been appointed an executive director, with a view to his running the core business on a day-to-day basis in the future. He was managing director of Holmes Halls Tanners.

■ Mr Allan Rodger has been appointed managing director of INDEVCO, UK subsidiary of management consultants Indevco Group. Ms Marjorie Greene becomes director, European financial services.

■ HOGG ROBINSON & GARDNER MOUNTAIN has appointed Mr N.A. Allington, Mr C.W.M. Berkeley, Mr C.A.R. Bowen, Mr C.J. Brownlees, Mr B.A. Gibbons, Mr M.K. Kelliher, and Mr J.W.C. Muir to the board of Hogg Robinson & Gardner Mountain Insurance Brokers from January 1.

■ VINTEN GROUP has appointed Mr Mike Hogg as managing director of Vinten Broadcast from January 1. He succeeds Mr David Mann who becomes a non-executive director. Mr Hogg is managing director of Vinten Electro-Optics, where he is succeeded by Mr John Barton as acting managing director.

Changes at Portals

PORTALS HOLDINGS has appointed Mr John Lloyd as group finance and corporate development director from January 1; he will also be responsible for property, personnel and legal affairs. He succeeds Mr Simon Every who remains an executive director responsible for investor relations and pensions until he retires next autumn. Mr Philip Conway, paper-making division director, additionally becomes chairman of Portals, banknote making subsidiary. Mr Ted Jackson, water treatment division director, has retired on completion of the sale of the division to Thames Water.

■ Mr Ian Leadbetter has been appointed managing director of GKN TECHNOLOGY from January 1 following the retirement of Dr Barry Smith. Mr Leadbetter was managing director of the SKF engineering and research centre in the Netherlands. GKN Composites has appointed Dr David Cowburn as managing director from January 1. He succeeds Dr Michael Lea.

■ Mr Nigel Stally has been appointed managing director of EPSTEIN TECHNOLOGY, a subsidiary of A. Epstein & Sons, Chicago.

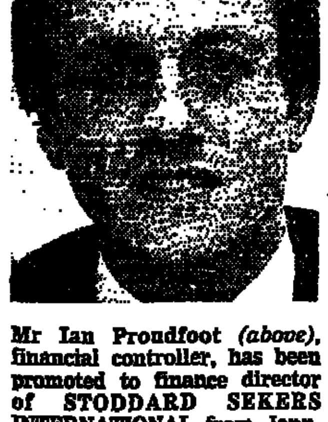
YALE SECURITY PRODUCTS has appointed Mr John Pearson (above) as marketing director. He was marketing director of Glynwed Consumer Products, and succeeds Mr Richard Wood who becomes sales and distribution director. Mr Robert Beddoe has been appointed financial director. He was financial director of GEC Industrial Controls.

■ Mr Ian Clarke has been appointed general manager of MLA BANK. He was senior manager at Aitken Hume.

■ Mr David Littlejohns has joined the board of Below the Line Projects, Wimbledon, part of the FKB GROUP. He was business dvelopment director, Clarke Hooper.

■ Mr Geoff Lodge has been appointed managing director of the fastening division of PANDROL INTERNATIONAL from January 1. He was business development director.

■ DIXONS GROUP has appointed Mr Terry Kelley as director of management information services for Dixons Stores Group. He was president and chief executive officer of Distributed Technologies Inc, in the US.



Mr Ian Proudfoot (above), financial controller, has been promoted to finance director of STODDARD SEKERS INTERNATIONAL from January 1. He succeeds Mr Maurice Alberge who remains on the board and will concentrate on overall business development.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Merlin Jupiter Unit Tst Mgrs Ltd (0905)F
197 Knightsbridge, London SW7 1RB 01-581 3020

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Cap	5	105.6	105.6	112.3	-3.6	0.90
Income	5	98.32	100.5	106 9	+0.5	3.96
Resources & General	5	128.7	131.1	139 4	.....	2.31
Special Sits	5	33 66	34.86	37.08	-0.18	3.98
International	5	59.94	61.42	65.34	+0.08	1.80
Ecology	5	60.78	62.22	66.19	-8.48	1.71

Metropolitan Unit Trust Mngrs Ltd (1000)F
3 Darkes Lane, Potters Bar EN6 1AL 0707 45184

Eurogrowth Plus	6	67.16	67 80	72.13	-0 03	0.66
Global Growth	5¼	46.77	47.10	50.11	-0.81	0.50
Global Income Acc	5¼	61.38	62.21xd	66.18	+0.46	3.02
Do Income	5¼	57.28	58.05xd	61.75	+0.43	3.24
Sunrise Accum	6	69.97	71.21xd	75.76	-0.32	0.00
UK Growth Acc	5¼	57.73	57.73xd	61.41	-0 1	1.63
UK Income Acc	5¼	67.82	69.51	73.95	+0.07	4.06
Do Income	5¼	63.16	64.74	68.87	+0.06	4.36

Midland Unit Trusts Ltd (1200)F
192 Eyre Street, Sheffield, S1 3RD 0742 529888

British Tst	6	62.31	62.74	67.10	+0.2	2.90
(Accum Units)	6	63.33	63.76	68.19	+0.2	2.90
Capital	6	116.6	116.6	124.7	-0.2	2.17
(Accum Units)	6	168.7	168.7	180.4	-0.3	2.17
European Growth	6	150.4	150.4xd	160.2	-1.2	0.69
(Accum Units)	6	185.4	185.4	197.6	-1.4	0 69
Extra High Inc	6	70.40	71.68	76.66	+0.03	7 16
(Accum Units)	6	97.72	99.48	106.4	.....	7.16
Gilt & Fxd Int	4	50 65	50.65xd	52.90	+0.1	8.73
(Accum Units)	4	105.4	105 4	110.1	+0.2	8 73
High Yield	6	205.3	208.8xd	223.3	+0.1	5.70
(Accum Units)	6	405.0	411.9	440.5	+0.3	5.70
Income	6	248.6	251.6	269.1	+0.5	4.61
(Accum Units)	6	449.3	454.8	486.4	+1.0	4.61
Intl High St UT	6	59.93	59.93	64.10	-0.02	1.40
(Accum Units)	6	61.78	61.78	66.07	-0.02	1 40
Japan Growth	6	441.2	441.2	471.9	-0 4	0.00
(Accum Units)	6	463.7	463.7	495 9	-0.6	0.00
Mandarin Tst	6	67.37	67.43	72.12	+0.14	0.48
(Accum Units)	6	67.93	67.98	72.71	+0.14	0.48
Mngd P'folio Acc	6	74.76	75.50	80.75	-0.08	2.27
Money Market UT	4	49 82	49.82xd	51.81	+0.01	12.92
(Accum Units)	4	55.25	55.25	57.46	+0.01	12.92
North American	6	127.2	127.2xd	136.0	-0 1	0.00
(Accum Units)	6	157.0	157.0	167.9	-0.2	0.00
Smaller Cos	6	153.1	153.1	163.7	+0 2	2.17
(Accum Units)	6	170.4	170 4	182.2	+0.2	2.17
Meridian Income	6	111.4	112.8xd	120.6	+0.1	3.94
(Accum Units)	6	117.1	118.7	126.9	+0.1	3.94
Meridian Growth	6	122.8	123 8	132.4	-0.1	2.15
Midland Personal Pension Unit Trust *						
British	6	63 07	63.85	67 90	+0.2	2.92
European Growth	6	68.71	68.84	73.23	-0.52	0.69
Gilt & Fixed	6	52.21	52.25	55.58	+0 1	8.73
Income	6	56.83	57.80	61.49	+0.16	4 62
Japan Growth	6	64.68	65.09	69.24	-0.01	0 00
Managed	6	58.97	59.87	63.69	-0 05	2.27
Money Market	6	55.91	55.91	59.27	+0.01	12.88
North American	6	59.46	60.65	64.52	-0.11	0.00
Midland FSAVCS Unit Trust *						
British	6	58.46	59.16	62.94	+0.19	2.92
European Growth	6	65.69	65.80	70.00	-0.47	0.69

Pembroke Administration Ltd (1700)F
18-19 Sandland St, London WC1R 4PZ. 01-430 0556

Pembroke Accum	5	82.68	85.82	90.96	.....	2.43

Perpetual Unit Tst Mngmt (1200)F
48 Hart Street, Henley on Thames 0491 576868

International Gwth	5¼	368.06	368.06	393.65	-0.11	1.44
Income	5	243.66	243.66	260.60	-0.52	4.95
W'wide Recovery	5¼	217.91	217.91	233.06	+1.19	1.65
American Growth	5¼	93.61	93.61	100.12	+0.06	1.35
Intl Emerging Cos	5¼	98.83	98.83	105.71	-0.15	0.92
Far East Gwth	5¼	143.93	145.22	155.32	-1.39	2.00
European Gwth	5¼	93.79	94.19	100.74	-0.14	1.10
UK Growth	5¼	46.34	46.34	49.57	-0.09	2.66
High Income	5¼	57.44	57.44	61.44	-0.04	6.60
Japanese Gwth	5¼	157.09	157.09	167.70	-0.27	0.01
PEP Gwth & Inc ♦	5¼	54.85	54.85	58.57	(z)	3.50

Phillips & Drew Unit Managers Ltd
14 Finsbury Square, London EC2A 1PD 01-628 6070

Charities Fxd Int		97.37	97.37	97.50	+0.25	10.2
Charities Ind Ltd		105.70	105.70	105.80	+1.30	2.4
UK Exempt		108.00	108.00	110.50	.....	5.0
Charities Intl		119.2	119.2	120.9	.....	2.5

Prolific Unit Tst Mngrs Ltd (1200)H
222 Bishopsgate, London EC2 01-247 7544/7

American Income	5	65.44	66.00	70.37	-0.16	3.45
Conv & Gilt	5	121.6	121.6xd	130.1	-0.6	6.81
Euro Gwth & Inc	5	57.39	58.35	62.35	-0.04	1.51
Extra Income	5	133.1	135.1xd	144.2	-0 4	4.85
Far East ♥	5	279.5	279.6	298.1	+2.7	0.01
High Income	5	87.33	87.33	93.20	-0.17	4.77
International	5	162.2	163.6	174.1	+0.2	0.34
Nth American	5	155.8	158.0	168.9	+0.8	0.01
Pref & Fxd Int	5	44.72	44.72	47.82	+0.04	8.40
Special Sits	5	110.5	110.5xd	118.1	-0.6	1.51
Technology	5	138.7	138.7xd	148.0	+0.1	0.12

Providence Capital Fd Mgrs Ltd (1000)H
30 Uxbridge Road, London W12 8PG 01-749 9111

European Acc	5	138.7	138.7xd	148.5	+0.2	0.69
European Inc	5	133.2	133.2xd	142.6	+0.2	0 69
Japan Acc	5	129.5	129.5	138.7	-0.1	0.00
Japan Inc	5	129.2	129.2	138.4	-0.1	0.00
Nth American Acc	5	67.78	67.78	72.10	-0.13	0.91
Nth American Inc	5	64.97	64.97	69 11	-0.12	0.91
UK Equity Acc	5	86.64	86.64xd	93.12	+0.17	3.60
UK Equity Inc	5	77.84	77.84xd	83.66	+0.15	3.60
Worldwide Acc	5	115.3	115.3	123.3	+0 4	0.81
Worldwide Inc	5	110.5	110.5	118 0	+0.3	0.81
UK High Inc Eq Acc	5	83.54	83.54	90.16	+0 13	6.96
UK High Inc Eq Inc	5	73.51	73.51	79.34	+0.12	6.96
Hong Kong Acc	5	47.37	47.37	50.54	-0 07	3 43
Hong Kong Inc	5	45.21	45.21	48.24	-0.07	3.43
Swiss Equities Acc	5	40.17	40.17	43.12	+0.17	0.37
Swiss Equities Inc	5	39.82	39.82	42.74	+0.17	0.37
W'wide Bond Acc	5	57.18	57.18	60.34	.....	6.97
W'wide Bond Inc	5	54.40	54.40	57.41	-0.01	6.97
Emerging Asia Acc	5	101.0	101.0xd	108 4	+0.9	0.00
Emerging Asia Inc	5	101.0	101.0xd	108.4	+0 9	0.00
UK Money Mkt Acc	0	51.48	51.48	51.48	+0.01	14 00
UK Money Mkt Inc	0	51.48	51.48	51.48	+0.01	14 00
Thailand Inc	5	56.43	56.43	60 44	+0.66	0.38
Thailand Acc	5	56.43	56.43	60.44	+0.66	0.38

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. [illegible]

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wardley Unit Tst Mngrs Ltd (0900)H						
3 Harbour Exchange, London E14 9GJ 01-955 5095						
American ♦	5¼	71.28	71.28	76.23	+0.41	1.4
Intl Growth ♦	5¼	84.60	84.60	90.48	+0.37	1.0
Income ♦	5¼	130.7	130.7	139.7	+0.78	4.7
Japan Growth ♦	5¼	255.9	255.9	273.6	+2.80	0.1
Pacific Perf ♦	5¼	167.5	168.4	180.2	-1.00	0.1
Small Co's ♦	5¼	129.3	129.3	138.2	-0.78	1.4
Technology	5¼	35.55	35.55	35.88	+0.21	0.1
Australia	5¼	66.57	66.57	71.19	+1.08	3.3
UK Trust ♦	5¼	177.6	177.6	189.9	+1.40	2.6
European Growth ♦	5¼	75.64	75.64	80.89	-0.52	0.1
Hong Kong ♦	5¼	35.39	35.39	37.85	+0.04	1.8
Intl Income	5¼	22.42	22.42	23.97	+0.09	7.3
Sync & Mlyn Bth	5¼	39.13	39.24	41.97	-0.40	0.1
British Winners ♦	5¼	26.38	26.38	28.21	-0.09	1.8
Japan Smllr Cos ♦	5¼	31.40	31.53	33.73	-0.18	0.1
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	16.19	16.19	17.22	-0.04	0.00
Pacific Basin	6	31.22	31.22	33.21	-0.02	0.60
Can Balanced Gwth ♦	6	49.05	49.05	52.18	+0.02	0.64
Global Mkt ♦	4	0.9598	0.9812	1.0221	+0.001	7.56
Penny Share	6	28.57	28.37	30.18	+0.01	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	141.7	143.5	152.7	-0.1	6.42
Wellington Growth	5¼	234.6	236.9	252.1	+3.8	1.17
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	111.5	115.0	119.8	+0.2	4.18
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ‡F	2¼	62.69	62.49	64.27	+0.05	0.00
Short Dtd Gilt ‡F	1¼	82.55	82.55	83.65	+0.03	6.44
US Govt Bond ‡F	1¼	.5800	.5800	.5875		0.00
Willbro Financial Services Ltd (0905)F						
PO Box 515, 6 Broadgate, London EC2 01-588 7511						
Acc Friars Whister	5	203.4	207.0	220.2	-4	2.40
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Growth & Equity	5	56.84	59.76	63.56	-0.18	7.42
European	5	79.82	80.84	85.15	+0.02	0.30
Far Eastern	5	65.78	75.05	79.84	+0.43	0.62
Growth Inc	5	76.38	79.81	84.90	-0.21	1.60
Growth Acc	5	76.45	79.88	84.97	-0.23	1.60
Income Inc	5	77.14	79.84	84.08	-0.03	5.01

	Bid Price	Offer Price	+ or -	Yield Gross
AEtna Life Insurance Co Ltd—Contd.				
Pension Funds (Accumulation Units)				
Squirrel	15.82	16.46		-
Bear	17.26	18.17	+0.03	-
Owl	22.85	24.06		-
Bull	20.54	21.63	-0.10	-
Stag	19.98	21.05	-0.11	-
Gilt Edged	13.42		+0.01	-
Deposit	13.60			-
North American	10.85	11.43	-0.06	-
European	11.78	12.40	-0.05	-
Property	12.03	12.67	-0.02	-
Index-Linked	11.96	12.59	+0.01	-
Far Eastern	15.06	15.86	-0.07	-
UK Equity	15.76	16.59		-
Fixed Interest	12.16	12.80		-
Gilt Edged (II)	10.06	10.59		-
1982 Series				
Managed	297.36	313.02	-3.65	-
Pre 1982 Series				
Aetna Life				
3 Way	704.74	704.75	-2.30	-
Equity Pensions	1220.66	1220.66	-6.99	-
Aetna Pensions Ltd				
3-Way Managed	641.63	641.63	-7.82	-
Exempt Approved				
Wkrs1 Managed	219.85	224.32	-0.49	-
Gilt Edged	13.42		+0.01	-
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311				
Life Funds				
Brit Blue Chip Fd Acc(z)	146.5	154.2	+0.4	-
Equity Fd Acc(z)	1075.2	1131.7	+3.3	-
European Fd Acc(z)	281.0	295.7	+0.7	-
Intl Fxd Int Fd Acc(z)	215.7	227.0	-0.3	-
Fixed Int Acc(z)	349.9	368.3	+0.1	-
Gtd Money Fd Acc(z)	244.8	257.7	+0.1	-
High Income Fd Acc(z)	121.4	127.7	+0.4	-
Intl Man Fd Acc(z)	434.6	457.4	+1.0	-
Japan Fd(z)	321.9	338.8	+0.5	-
UK Smllr Co's Fd Acc(z)	111.8	117.6	-0.2	-
European Metro	123.4	129.8	-0.1	-
Global Metro	108.8	114.5	+0.8	-
Service Metro	120.6	135.3	+0.4	-
UK Metro	111.8	117.6	-0.2	-
Nth American Fd Acc(z)	214.7	225.9	-0.7	-
Pac Basin Fd Acc(z)	168.4	177.2	+3.6	-
Prop Fd Acc(z)	349.9	368.2		-
Millennium	100.8	106.0	+0.3	-
Multiple Inv Acc(z)	742.3	781.4	+1.6	-

	Bid Price
Cannon Assurance Ltd—Contd.	
European	12[illegible]
Japan	207.[illegible]
Heritage Property	75.[illegible]
Intl Currency Bond	101.[illegible]
2nd Series Pension Accumulation	
Equity	751.[illegible]
High Income	552.[illegible]
Strategic Opps	107.[illegible]
Property	473.[illegible]
Managed 2	147.[illegible]
Managed	511.[illegible]
Managed 4	168.[illegible]
Deposit	351.[illegible]
Gilt	310.[illegible]
American	[illegible]
International Money	300.[illegible]
Index	153.[illegible]
Far East	410.[illegible]
Global	113.[illegible]
European	130.[illegible]
Japan	204.[illegible]
Heritage Property	77.[illegible]
Intl Currency Bond	106.[illegible]
Employ Managed Funds	
St. Michael's Fund	140.[illegible]
Other Funds	
Equity Units	[illegible]
Property Units	[illegible]
Balanced Bond/Exec	£46.[illegible]
Citicorp British National	
Perrymount Road, Haywards [illegible]	
Managed	260.[illegible]
International	302.[illegible]
Property	264.[illegible]
Equity	356.[illegible]
New Technology	180.[illegible]
American	125.[illegible]
Orient	118.[illegible]
European	112.[illegible]
Fixed Interest	176.[illegible]
Deposit	146.[illegible]
Managed Series 2	259.[illegible]
Property Series 2	266.[illegible]
International Series 2	303.[illegible]
Equity Series 2	355.[illegible]
SV Global Gwth Ser 2	141.[illegible]
Managed Pension Accum	355.[illegible]
Managed Pension Cap	230.[illegible]
Property Pens Accum	348.[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	113.0	119.0	+2.0	-
Building Soc. Fd.	178.0	188.0	----	-
Balanced	285.0	300.0	----	-
European	199.0	210.0	----	-
GT Managed	189.0	199.0	----	-
Gartmore Mngd.	128.0	135.0	----	-
German	166.0	175.0	+1.0	-
Gilt	173.0	183.0	----	-
Global	49.0	52.0	----	-
High Inc.	105.0	111.0	----	-
International Equity	200.0	211.0	----	-
Japan	292.0	308.0	----	-
Managed	58.0	62.0	----	-
Property	309.0	326.0	----	-
R. W. Imperial Gold	148.0	156.0	----	-
UK Equity	316.0	333.0	----	-
Pension Funds				
American	150.0	158.0	----	-
Building Soc. Fd.	182.0	192.0	----	-
Balanced	224.0	236.0	----	-
European	202.0	213.0	----	-
German	145.0	153.0	----	-
Gilt	153.0	162.0	----	-
International Equity	145.0	153.0	----	-
Japan	148.0	156.0	----	-
Managed	64.0	68.0	----	-
Property	238.0	251.0	----	-
UK Equity	306.0	323.0	----	-
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	94.71	100.10	----	-
Pensions Cash Fund	82.81	87.16	----	-
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd.	614.2	647.3	----	-
Adventurous Mngd.	135.1	142.4	----	-
Secure Mngd.	110.9	116.9	----	-
Cash Fd.	243.4	256.5	----	-
Property Fund	300.3	316.5	----	-
Equity Fund	696.0	733.5	----	-
Fxd. Int. Fund	295.3	311.2	----	-

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Index Linked Gilt	208.6	219.6	+0.2	-
Guaranteed	13.81		----	-
International Money	211.9	223.1	-0.6	-
North American	78.3	82.5	-0.5	-
Japanese	165.4	174.2	-1.0	-
European	114.9	121.0	+0.4	-
Special Situations	112.9	118.9	----	-
Communications	100.8	106.2	+0.1	-
Smaller Companies	105.5	111.1	----	-
International Small Cos.	140.9	148.4	-0.8	-
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Dec 13	£166.89	172.07	----	-
Equity Dec 13	£177.44	183.75	----	-
International Dec 13	£30.32	30.99	----	-
Intl Bond Dec 13	£12.89	13.06	----	-
Fixed Int. Dec 13	£74.65	75.48	----	-
Index Linked Dec 13	£64.69	65.62	----	-
Property Dec 13	£116.66	123.54	----	-
Cash Dec 13	£22.3578	22.3578	----	-
Pre-Linked Retirement Plan				
Managed Dec 19	379.2	415.9	-1.5	-
Cash Dec 19	210.1	218.9	+0.6	-
Prudential Pensions Investment Account				
Pens Mngd Dec 20	160.1	172.2	-0.5	-
Pens UK Eq Dec 20	296.0	319.4	+0.5	-
Pens Intl Dec 20	205.7	221.4	-1.6	-
Pens Fixed Dec 20	172.3	181.8	+0.4	-
Pens Index Lk Dec 20	168.5	177.9	+1.3	-
Pens Cash Dec 20	137.1	144.4	+0.4	-
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd	121.4	127.7	-0.3	-
Balanced Ptflio Fd	317.4	334.1	-1.3	-
Cautious Ptflio Fd	124.75	131.2	-0.1	-
Elite Fund	109.4	115.1	-0.4	-
European Fund	97.6	102.7	-0.5	-
Far East Fund	117.0	123.1	-0.1	-
Fixed Interest Fund	248.7	261.7	-0.3	-
International Fund	293.0	308.4	-0.4	-
Money Fund	183.7	193.3	+0.1	-
N. American Fd	125.8	132.4	----	-
Property Fund	396.2	417.0	+1.9	-
UK Equity Fd	380.2	400.2	-3.0	-

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

JERSEY (**)

[illegible]

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ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]	124	Treas 2pc IL '90 (84.6)	[illegible]	[illegible]	2.09	9.98
[illegible]	[illegible]	Exch 11pc 1990	[illegible]	.....	11.07	14.72
[illegible]	[illegible]	Exch 12½pc 1990	[illegible]	.....	12.57	14.59
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.10	11.71
[illegible]	[illegible]	Treas 8¼pc 1987-90	[illegible]	[illegible]	8.45	13.57
[illegible]	[illegible]	Treas. 8pc Cv 1990	[illegible]	.....	8.24	13.60
[illegible]	[illegible]	Treas 10pc Cv 1990	97	.....	10.31	13.80
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.68	10.45
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.95	13.55
[illegible]	[illegible]	Funding 5¾pc '87-91	[illegible]	.....	6.19	11.81
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.31	10.31
[illegible]	[illegible]	Treas 10pc Cv '91	[illegible]	[illegible]	10.41	12.94
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	11.30	12.66
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.68	12.60
[illegible]	[illegible]	Treas 12¾pc 1992	[illegible]	[illegible]	12.61	12.15
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.42	12.11
[illegible]	[illegible]	Treas. 8pc 1992	[illegible]	[illegible]	8.70	12.06
[illegible]	[illegible]	Treas 10½pc Cv 1992	[illegible]	[illegible]	10.79	11.84
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.54	10.11
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	12.15	11.86
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	12.97	11.69
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]	[illegible]	9.01	11.49
[illegible]	[illegible]	Treas 10pc 1993	[illegible]	[illegible]	10.37	11.31
[illegible]	[illegible]	Treas 12½pc 1993	[illegible]	[illegible]	12.12	11.43
[illegible]	[illegible]	Funding 6pc 1993	[illegible]	[illegible]	7.00	10.76
[illegible]	[illegible]	Treas 13¾pc 1993	[illegible]	[illegible]	12.80	11.33
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	9.36	11.33
[illegible]	[illegible]	Treas 14½pc 1994	[illegible]	[illegible]	13.06	11.12
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	12.56	11.26
[illegible]	[illegible]	Treas. 10pc Ln. 1994	[illegible]	[illegible]	10.38	11.06
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	11.96	11.22
[illegible]	[illegible]	Treas 9pc 1994	[illegible]	[illegible]	9.73	11.02

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

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LOANS

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FOREIGN BONDS & RAILS

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Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

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DRAPERY AND STORES—Contd

ELECTRICALS

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ENGINEERING—Contd

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INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
170	126	Airtours 10p	138	.....	7.0	♦	7.0	♦
315	195	Anglia TV	280	.....	†7.75	3.3	3.7	10.9
*168	95	Avesco 1p	95	.....	†g1.13	6.9	1.6	12.2
34	9	BCE Hldgs 5p	17	.....	0.4	–	3.1	–
395	245	Barr & W.A.T. 'A'	295	.....	†15.0	1.7	6.8	11.9
540	225	Boosey & Hawkes	415	.....	†10.0	2.5	3.2	16.4
60	35	Border T.V.	52	.....	2.0	3.4	5.1	7.6
423	317	Brent Walker 10p	358	−1	†11.0	3.6	4.1	7.2
117	79	Do 6pc Cv Cm Rd Pf	96	−2	6.0	–	8.3	–
*183	80	Buckingham Int'l. 10p	84	.....	–	–	–	–
344	146	Campari Int. 20p	178	+2	8.5	3.9	6.7	4.4
1135	504	Capital Radio 10p	943xd	−1	18.0	3.2	2.5	16.1
958	662	Carlton Comms	845	−10	9.37	♦	1.5	♦
125	95	Do 6.5p Prf	108	−1	6.5	–	8.0	–
465	268	Castle Comms. 5p	408	.....	8.5	♦	2.8	♦
823	579	Central ITV	733	.....	†25.5	2.5	4.6	11.2
245	123	Chrysalis	135	.....	#3.43	0.1	3.4	–
146	50½	Citivision 5p	144	.....	†t0.5	10.1	0.5	28.4
38	10	Classic Th'tres	10	.....	–	–	–	–
392	258	Compass Group 5p	353	.....	9.0	♦	3.5	♦
99	62½	European Leisure	75	.....	g1.5	3.1	2.7	14.7
110	56	Ex Lands 10p	59	.....	0.5	–	1.1	–
*117	85	Expedier Leis. 20p	85	.....	–	–	–	28.7
675	437	Fairline Boats 10p	663xd	+35	18.5	♦	–	♦
249	149	First Leisure	218	.....	†2.93	3.3	1.8	22.1
755	565	GWR Group 20p	595	+20	12.0	♦	2.7	♦
73	45	Grampian TVA 10p	71	.....	t3.0	2.8	5.6	8.1
31	20	Greenwich Comm.	25	.....	–	–	–	–
136	85	HTV Ord	129	−1	5.0	3.7	5.2	6.7
137	68	Hi-Tec Sports	76	−2	4.5	2.6	7.9	6.4
27½	3	Int 1 Media Com. 5p	5	.....	–	–	–	–
255	160	Kewick Sound 10p	183	−2	12.7	♦	2.0	♦
68	41½	Kunick 10p	58	.....	†1.4	2.4	3.2	16.3
138	97	Do 7p Rd. Pf	118	.....	7.0	–	7.9	–
111	24	Leisure Inv 10p	25	.....	#†1.75	1.4	[illegible]	(7.6)

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

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Finance, Land, etc

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OIL AND GAS — Contd

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Teas

MINES

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Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p ... γ	84	−2
Craig & Rose £1 ... γ	830	.....
Finlay Pkg. 5p ... γ	60	.....
Holt (Jos) 25p ... γ	1340	.....

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£96⅝	.....
9pc Cap Ln. 1996	£96¼	.....
Fin. 13% 97/02	£118	.....
Arnotts	400	.....
Carrol (P.J.) ... γ	155	.....
Hall (R. & H.)	395	.....
Heiton Hldgs ... γ	94	.....
IRG	215xr	.....
United Drug	143	+3

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5½
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Stock	p
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Stock	p
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Stock	p
Lonrho	29
RTZ	45

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Fed's move hits firm dollar

US MILITARY action in Panama kept the dollar firm for much of the European day, but the currency finished below its highs, and then fell further in New York on speculation that the Federal Reserve has eased its monetary stance.

The dollar moved up towards resistance at around DM1.7500, touching a peak of DM1.7485 in European trading, but than fell back to close at DM1.7400 in London, following action by the Fed adding temporary reserves to the New York banking system, via overnight *system repurchase agreements*. This close was above Tuesday's finish of DM1.7375, but later in New York the dollar fell to around DM1.7300.

Federal funds were trading at 8 1/16 per cent at the time of the Fed's operation, against an assumed target level of 8¼ per cent. Traders suggested this indicates an easing of the target rate to 8¼ per cent, but it should be noted that the market misread a similar move last month and wrongly assumed the Fed had eased its credit policy.

There was little reaction to the announcement that third-quarter US Gross National Product growth had been revised up to 3.0 per cent from 2.7 per cent. The price deflator, a guide to US inflation, was unchanged at 3.2 per cent for the period.

At the London close the dollar had also improved to Y144.00 from Y143.85; to SFr1.5620 from SFr1.5610; and to FFr5.9400 from FFr5.9350. The dollar's index rose to 68.2 from 67.9.

Long D-Mark positions were unwound ahead of the Christmas holiday as the market took a more cautious view of the situation in eastern Europe in the light of recent events in Romania.

Mr Nick Parsons, economist *at Union Discount, said the* simplistic view suggests that war in Panama means buy dollars and slaughter in Romania means sell D-Marks. He added that it was now dawning on the market that complete reunification of Germany and peace and love throughout eastern Europe may not happen as quickly as hoped, and this was the tenuous reason for unwinding equally tenuous long D-Mark positions.

Other currencies, including sterling, benefitted from the D-Mark's decline. The pound was helped by news that UK bank and building society lending rose only £4.9bn in November, against forecasts of around £8bn. Higher oil prices, in the wake of the events in Panama, also provided better sentiment for the pound.

Sterling rose ¼ cent to $1.6030 and gained 1 pfennig to DM2.7900. The pound also advanced to Y230.75 from *Y230.25; to SFr2.5050 from* SFr2.4975; and to FFr9.5225 from FFr9.5000. Its index climbed 0.3 to 86.9.

The D-Mark closed unchanged at Y82.75 in London, but down from Y83.45 on Monday. Interest rate considerations, on rumours of a rise in the Bank of Japan's discount rate, continued to support the yen.

EURO-CURRENCY INTEREST RATES

Dec 20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 3/16-15 1/16	15 3/16-15 1/16	15 3/16-15 1/16	15¼-15 1/16	15-14⅞	14⅝-14½
US Dollar	8¼-8⅛	8½-8⅜	8 9/16-8 7/16	8⅜-8¼	8⅜-8¼	8¼-8⅛
Can. Dollar	12¼-12	12¼-12	12⅛-11⅞	12⅛-11⅞	11 13/16-11 11/16	11 9/16-11 7/16
D. Guilder	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅝-8½	8⅝-8½	8⅝-8½
Sw. Franc	9-8¾	9-8¾	8 13/16-8 11/16	8 13/16-8 11/16	8⅝-8½	8½-8⅜
Deutschmark	7 13/16-7 11/16	7⅞-7¾	8¼-8⅛	8⅜-8¼	8⅜-8¼	8⅜-8¼
Fr. Franc	10¼-10⅛	10¼-10⅛	10⅜-10¼	11-10⅞	11-10⅞	10⅞-10¾
Italian Lira	13-11	11½-10½	12½-12¼	13-12½	13-12½	13⅛-12⅞
B. Fr. (Fin)	9⅝-9½	9⅝-9½	10 3/16-10 1/16	10¼-10⅛	10¼-10⅛	10 3/16-10 1/16
B. Fr. (Con)	10-9¾	10-9¾	10⅛-10	10⅛-10	10⅛-10	10⅛-10
Yen	6⅝-6⅜	6⅝-6⅜	7 1/16-6 15/16	7 1/16-6 15/16	7 1/16-6 15/16	6 15/16-6 13/16
D. Krone	12⅛-11⅞	12⅝-12⅛	12⅜-12⅛	12⅝-12⅜	11 13/16-11⅝	11⅝-11⅜
Asian $Sing	8⅝-8½	8⅝-8½	8 13/16-8 11/16	8¾-8½	8⅝-8½	8¾-8⅝

Long term Eurodollars: two years 8⅜-8¼ per cent; three years 8⅜-8⅛ per cent; four years 8⅜-8¼ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

Dec.20	Latest	Previous Close
£ Spot	1.6050-1.6060	1.6000-1.6010
1 month	0.84-0.83pm	0.87-0.86pm
3 months	2.39-2.36pm	2.48-2.46pm
12 months	8.38-8.28pm	8.95-8.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.20	Previous
8.30 am	86.7	86.5
9.00 am	86.7	86.7
10.00 am	86.7	86.8
11.00 am	86.7	86.8
Noon	86.9	86.7
1.00 pm	86.9	86.7
2.00 pm	86.9	86.7
3.00 pm	87.0	86.6
4.00 pm	86.9	86.6

CURRENCY RATES

Dec.20	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling ‡	-	1.22966	1.37420
U.S Dollar	7	1.30402	1.16395
Canadian $	12.46	1.51371	1.35228
Austrian Sch.	6½	15.9103	14.3189
Belgian Franc	10¼	47.4989	42.7489
Danish Krone	10½	8.79040	7.90322
Deutsche Mark	6.00	2.25895	2.03423
Neth. Guilder	7.00	2.55197	2.29624
French Franc	10¼	7.71980	6.97179
Italian Lira	13½	1686.15	1513.48
Japanese Yen	3¼	186.996	167.667
Norway Krone	8	8.71998	7.81359
Spanish Peseta	-	145.606	130.677
Swedish Krona	9½	8.18468	7.32881
Swiss Franc	6.00	2.02710	1.82507
Greek Drach.	20½	207.633	187.780
Irish Punt	-	0.855030	0.770419

‡ Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Dec.19

CURRENCY MOVEMENTS

Dec.20	Bank of England Index	Morgan** Guaranty Changes %
Sterling	86.9	-24.3
U.S Dollar	68.2	-10.4
Canadian Dollar	105.2	+2.2
Austrian Schilling	109.5	+12.1
Belgian Franc	108.9	-3.7
Danish Krone	107.9	+2.7
Deutsche Mark	118.1	+25.0
Swiss Franc	107.2	+15.4
Guilder	114.0	+16.4
French Franc	102.5	-13.1
Lira	99.8	-18.9
Yen	132.2	+62.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Dec.19.

OTHER CURRENCIES

Dec.20	£	$
Argentina	1592.45-1609.55	995.00-1005.00
Australia	2.0320-2.0345	1.2705-1.2715
Brazil	15.2700-15.3570	9.5410-9.5890
Finland	6.5785-6.5990	4.1150-4.1200
Greece	254.80-258.90	159.40-162.00
Hong Kong	12.4855-12.4985	7.8045-7.8065
Iran	113.40*	70.30*
Korea(Sth)	1071.80-1089.08	673.10-678.50
Kuwait	0.4720-0.4735	0.2960-0.2965
Luxembourg	58.55-58.65	36.50-36.60
Malaysia	4.3195-4.3305	2.7010-2.7040
Mexico	4270.40-4287.75	2668.00-2678.00
N. Zealand	2.6785-2.6845	1.6750-1.6780
Saudi Ar.	5.9820-5.9875	3.7500-3.7510
Singapore	3.0465-3.0535	1.9060-1.9090
S. Af (Cm)	4.1125-4.1235	2.5740-2.5770
S. Af (Fn)	5.8145-5.9080	3.6320-3.6900
Taiwan	41.95-42.05	26.20-26.25
U.A.E.	5.8575-5.8630	3.6720-3.6730

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Dec.20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5950-1.6040	1.6025-1.6035	0.84-0.82cpm	6.21	2.48-2.45pm	6.15
Canada	1.8535-1.8650	1.8610-1.8620	0.46-0.37cpm	2.68	1.29-1.12pm	2.59
Netherlands	3.13¾-3.16¼	3.14¾-3.15¾	1⅝-1⅜cpm	6.43	4⅞-4⅝pm	5.72
Belgium	58.35-58.85	58.55-58.65	26-23cpm	5.02	72-65pm	4.68
Denmark	10.81¼-10.88½	10.87½-10.88½	2⅜-2⅛orepm	2.90	7⅞-7⅛pm	2.71
Ireland	1.0525-1.0615	1.0580-1.0590	0.35-0.30pm	3.68	0.87-0.77pm	3.10
W. Germany	2.78-2.79½	2.78¾-2.79¾	1⅝-1½pfpm	6.72	4½-4¾pm	6.36
Portugal	243.60-245.35	244.35-245.35	191-271cdis	-11.32	329-568dis	-7.33
Spain	178.65-179.90	179.50-179.80	12-17cdis	-0.97	38-47dis	-0.95
Italy	2067-2084¼	2071¾-2072¾	4-3lirepm	2.03	11-9pm	1.93
Norway	10.71-10.75¼	10.74¾-10.75¾	2⅛-1⅞orepm	2.23	6⅝-6¼pm	2.37
France	9.49-9.55¼	9.51¾-9.52¾	3⅝-3¼cpm	4.17	9⅝-9¼pm	3.89
Sweden	10.05¼-10.09¾	10.07½-10.08½	2⅞-2⅝orepm	3.27	6½-6¼pm	2.50
Japan	230-231¼	230¼-231¼	1⅝-1½ypm	8.13	4½-4¾pm	7.69
Austria	19.59-19.73	19.70-19.73	8⅞-7⅞gropm	4.95	29⅞-24⅛pm	5.43
Switzerland	2.4945-2.5075	2.5045-2.5055	1⅜-1¼cpm	6.29	3⅞-3¾	5.69
ECU	1.3710-1.3760	1.3750-1.3760	0.47-0.44cpm	3.97	1.28-1.23pm	3.65

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.70-58.80 Six-month forward dollar 4.89-4.84cpm 12 Months 8.94-8.84cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec.20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5950-1.6040	1.6025-1.6035	0.84-0.82cpm	6.21	2.48-2.45pm	6.15
Ireland†	1.5090-1.5175	1.5145-1.5155	0.29-0.24cpm	2.10	1.14-1.04pm	2.89
Canada	1.1600-1.1625	1.1610-1.1620	0.33-0.36cdis	-3.56	1.01-1.09dis	-3.61
Netherlands	1.9635-1.9740	1.9635-1.9645	0.03pm-pardis	-0.09	0.05-pardis	-0.05
Belgium	36.45-36.75	36.50-36.60	3.00-4.20cdis	-1.18	12.00-15.00dis	-1.47
Denmark	6.75¾-6.79½	6.78½-6.79	1.75-2.10oredis	-3.40	5.80-6.30dis	-3.56
W. Germany	1.7375-1.7485	1.7395-1.7405	0.09-0.07pfpm	0.55	0.10-0.07pm	0.19
Portugal	152.10-156.70	152.15-152.25	150-200cdis	-13.76	370-520dis	-11.66
Spain	111.80-112.40	111.80-111.90	65-75cdis	-7.48	195-205dis	-7.11
Italy	1292-1300¼	1292½-1293	4.00-5.00liredis	-4.16	13.00-15.00dis	-4.32
Norway	6.69¾-6.71½	6.70½-6.71	2.05-2.40oredis	-3.98	6.20-6.60dis	-3.82
France	5.93½-5.96¾	5.93¾-5.94¼	0.95-1.05cdis	-2.01	3.40-3.60dis	-2.35
Sweden	6.28½-6.30¼	6.28½-6.29	1.42-1.67oredis	-2.94	5.70-6.05dis	-3.73
Japan	143.80-144.20	143.95-144.05	0.26-0.24ypm	2.08	0.58-0.55pm	1.57
Austria	12.24¾-12.30½	12.30-12.30½	0.60-1.80grodis	-1.17	0.80-3.40dis	-0.68
Switzerland	1.5600-1.5685	1.5615-1.5625	0.03pm-pardis	-0.12	0.05pm-pardis	-0.06
ECU	1.1620-1.1670	1.1660-1.1670	0.24-0.22cpm	2.37	0.77-0.73pm	2.57

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.60-36.70.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7489	+0.68	+0.68	±1.5508
Danish Krone	7.85212	7.90322	+0.65	+0.65	±1.6453
German D-Mark	2.05853	2.03423	-1.18	-1.18	±1.1762
French Franc	6.90403	6.97179	+0.98	+0.98	±1.3618
Dutch Guilder	2.31943	2.29624	-1.00	-1.00	±1.5272
Irish Punt	0.768411	0.770419	+0.26	+0.26	±1.6689
Italian Lira	1483.58	1513.48	+2.02	+2.02	±4.0410
Spanish Peseta	133.804	130.677	-2.34	-2.34	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Dec.20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.603	2.790	231	9.523	2.505	3.148	2072	1.862	58.60
$	0.624	1	1.740	144.1	5.941	1.563	1.964	1293	1.162	36.56
DM	0.358	0.575	1	82.80	3.413	0.898	1.128	742.7	0.667	21.00
YEN	4.329	6.939	12.08	1000.	41.23	10.84	13.63	8970	8.061	253.7
F Fr.	1.050	1.683	2.930	242.6	10.	2.630	3.306	2176	1.955	61.54
S Fr.	0.399	0.640	1.114	92.22	3.802	1	1.257	827.1	0.743	23.39
H Fl.	0.318	0.509	0.886	73.38	3.025	0.796	1	658.2	0.591	18.61
Lira	0.483	0.774	1.347	111.5	4.596	1.209	1.519	1000.	0.899	28.28
C $	0.537	0.861	1.498	124.1	5.114	1.345	1.691	1113	1	31.47
B Fr.	1.706	2.735	4.761	394.2	16.25	4.275	5.372	3536	3.177	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
89	4-28	5-42	0-12	0-24
90	3-36	4-54	0-20	0-36
91	2-48	4-05	0-32	0-51
92	2-03	3-25	0-51	1-07
93	1-29	2-49	1-13	1-31
94	1-00	2-13	1-48	1-59
95	0-42	1-47	2-26	2-29

Estimated volume total, Calls 502 Puts 1125
Previous day's open int. Calls 13085 Puts 6126

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
96	4-38	4-51	0-10	0-43
97	3-45	4-09	0-17	0-59
98	2-54	3-29	0-26	1-15
99	2-06	2-54	0-42	1-43
100	1-29	2-19	1-01	2-05
101	0-63	1-53	1-35	2-39
102	0-41	1-25	2-13	3-14

Estimated volume total, Calls 30 Puts 45
Previous day's open int. Calls 987 Puts 754

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9050	1.45	1.92	0.33	0.63
9100	1.11	1.61	0.49	0.82
9150	0.82	1.32	0.70	1.03
9200	0.59	1.08	0.97	1.29
9250	0.41	0.86	1.29	1.57
9300	0.27	0.68	1.65	1.89
9350	0.18	0.52	2.06	2.23

Estimated volume total, Calls 341 Puts 2561
Previous day's open int. Calls 16458 Puts 17523

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike Price	Calls-settlements Dec	Calls-settlements Jan	Puts-settlements Dec	Puts-settlements Jan
145	15.15	15.15	0.00	0.14
150	10.15	10.15	0.04	0.59
155	5.15	5.35	0.43	1.78
160	1.75	2.64	2.14	4.07
165	0.34	1.08	5.74	7.51
170	0.04	0.36	10.42	11.79
175	0.00	—	15.39	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 85 Puts 1

LIFFE EURODOLLAR OPTIONS $1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9100	1.15	1.40	0.02	0.03
9125	0.92	1.17	0.03	0.05
9150	0.70	0.96	0.06	0.09
9175	0.49	0.75	0.13	0.13
9200	0.32	0.56	0.18	0.19
9225	0.13	0.40	0.29	0.28
9250	0.10	0.28	0.46	0.41

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 2388 Puts 2102

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
8450	0.38	1.25	0.00	0.08
8475	0.13	1.03	0.00	0.11
8500	0.00	0.82	0.12	0.15
8525	0.00	0.63	0.37	0.21
8550	0.00	0.47	0.62	0.30
8575	0.00	0.33	0.87	0.41
8600	0.00	0.23	1.12	0.56

Estimated volume total, Calls 412 Puts 505
Previous day's open int. Calls 65111 Puts 39731

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar	100-08	100-10	100-01	100-03
Jun	100-05	100-05	99-30	99-31
Sep	99-29	99-29	99-28	99-23
Dec	99-19	99-19	99-19	99-13
Mar	99-08	99-08	99-08	99-02
Jun	98-30	98-30	98-30	98-25
Sep	-	-	-	98-17
Dec	99-19	-	-	98-11
Mar	-	-	-	98-05
Jun	-	-	-	-

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Mar	93.33	93.35	93.27	93.26
Jun	93.57	93.57	93.56	93.52
Sep	-	93.52	-	93.47
Dec	-	-	-	93.29

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.6383	0.6394	0.6377	0.6413
Jun	0.6388	0.6392	0.6373	0.6413
Sep	-	-	0.6380	0.6411
Dec	-	-	-	0.6417

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar	0.6967	0.6972	0.6965	0.6989
Jun	0.6993	0.6995	0.6993	0.7014
Sep	-	-	-	0.7037

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Mar	0.5727	0.5734	0.5720	0.5737
Jun	0.5716	0.5726	0.5713	0.5752
Sep	-	-	-	0.5748

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Mar	92.14	92.15	92.11	92.09
Jun	92.38	92.38	92.34	92.32
Sep	92.32	92.33	92.31	92.28
Dec	92.09	92.09	92.07	92.04
Mar	91.95	91.96	91.95	91.92
Jun	91.79	91.79	91.78	91.76
Sep	91.70	91.70	91.69	91.67
Dec	91.59	91.60	91.59	91.57

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Mar	348.20	349.50	347.95	347.20
Jun	352.00	352.35	352.00	351.15
Sep	-	356.20	-	355.15

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
1.500	9.80	9.60	9.55	9.55	-	0.32	0.77	2.60
1.525	7.30	7.10	7.10	7.63	-	0.71	1.29	3.55
1.550	4.80	5.03	5.03	5.84	0.22	1.29	2.11	4.68
1.575	2.64	3.26	3.53	4.40	0.79	2.25	3.21	6.03
1.600	1.23	1.98	2.31	3.27	1.93	3.60	4.63	7.55
1.625	0.45	1.21	1.53	2.38	3.69	5.28	6.31	9.25
1.650	0.16	0.62	0.92	1.80	5.86	7.25	8.12	11.09

Previous day's open int: Calls 282,202 Puts 275,277 (All currencies)
Previous day's volume: Calls 8,572 Puts 7,688 (All currencies)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6030	1.5947	1.5874	1.5544	1.5141

IMM-STERLING $e per £

	Latest	High	Low	Prev
Mar	1.5744	1.5762	1.5742	1.5758
Jun	1.5508	1.5518	1.5508	1.5518
Sep	-	1.5308	1.5290	1.5298

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	92-09	92-04	91-29	91-25
Mar	93-08	93-10	92-19	92-24
Jun	94-09	94-06	93-30	93-27

Estimated volume 11951 (7612)
Previous day's open int. 33243 (33813)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Mar	100-14	100-15	100-03	100-05
Jun	100-07			99-30
Sep				

Estimated volume 516 (873)
Previous day's open int. 2566 (2122)

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	91.62	91.72	91.40	91.62
Jun	91.79	91.73	91.60	91.79
Sep	92.09			92.09

Estimated volume 17935 (19406)
Previous day's open int. 28852 (28628)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Mar	102.90	103.11	102.88	103.44
Jun	103.03			103.45
Sep				

Estimated volume 581 (501)
Previous day's open int. 800 (805)

THREE MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	84.88	84.88	84.87	84.88
Mar	85.67	85.70	85.57	85.61
Jun	86.57	86.59	86.47	86.50
Sep	87.18	87.19	87.09	87.11
Dec	87.65	87.67	87.58	87.60
Mar	87.98	88.00	87.92	87.92
Jun	88.25	88.25	88.17	88.17
Sep	88.40	88.41	88.34	88.33

Est. Vol. (inc. figs. not shown) 27189 (10747)
Previous day's open int. 147246 (147521)

THREE MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev.
Mar	92.14	92.15	92.11	92.17
Jun	92.37	92.38	92.35	92.38
Sep	92.33	92.33	92.30	92.32
Dec	92.09	92.08	92.05	92.06
Mar	91.96	-	-	91.95
Jun	91.78			91.78
Sep	91.72			91.71
Dec				

Est. Vol. (inc. figs. not shown) 3486 (4585)
Previous day's open int. 29496 (29279)

THREE MONTH EUROMARK DM 1m points of 100%

	Close	High	Low	Prev.
Mar	91.80	91.83	91.76	91.80
Jun	91.91	91.92	91.88	91.91
Sep	92.03	92.04	92.01	92.01
Dec	92.17	92.17	92.10	92.11
Mar	92.28	92.28	92.19	92.21
Jun	92.38	92.38	92.29	92.31
Sep	92.48	92.48	92.45	92.41
Dec	92.49	92.49	92.49	92.51

Estimated volume 3829 (4105)
Previous day's open int. 20899 (20642)

THREE MONTH ECU ECU 1m points of 100%

	Close	High	Low	Prev.
Mar	89.14	89.14	89.10	89.15
Jun	89.46			89.52
Sep	89.77			89.81
Dec				

Estimated volume 119 (511)
Previous day's open int. 960 (957)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Dec	2363.0	2368.0	2354.0	2344.0
Mar	2415.0	2416.0	2402.0	2392.0
Jun	2454.0			2431.0

Estimated volume 4017 (11134)
Previous day's open int. 31949 (32013)

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 90 Vol	Last	May 90 Vol	Last	Aug 90 Vol	Last	Stock
Gold C	$410	41	16.50	8	27.50	-	-	$413.40
Gold C	$420	390	11.50	-	-	26	29.50	$413.40
Gold C	$440	14	5	53	13.50	-	-	$413.40
Gold C	$450	3	3 b	44	10.50	15	17.90	$413.40
Gold P	$410	49	9	-	-	-	-	$413.40

Series		Jan. 90 Vol	Last	Feb. 90 Vol	Last	Mch. 90 Vol	Last	Stock
EOE Index C	Fl. 270	125	24.50 b	-	-	-	-	Fl. 292.61
EOE Index C	Fl. 285	111	11.90 a	-	-	-	-	Fl. 292.61
EOE Index C	Fl. 290	558	7.60	40	11	40	13.50	Fl. 292.61
EOE Index C	Fl. 295	824	5.30	23	8.50 a	-	-	Fl. 292.61
EOE Index C	Fl. 300	252	3.20	111	6.50	-	-	Fl. 292.61
EOE Index C	Fl. 305	318	1.90	-	-	-	-	Fl. 292.61
EOE Index P	Fl. 275	3	0.80	63	2 a	-	-	Fl. 292.61
EOE Index P	Fl. 280	195	1.30	12	2.80 a	-	-	Fl. 292.61
EOE Index P	Fl. 285	134	2.30	65	3.90	-	-	Fl. 292.61
EOE Index P	Fl. 290	521	3.30	122	5.50	-	-	Fl. 292.61
EOE Index P	Fl. 295	464	5.60	98	7.10	-	-	Fl. 292.61
EOE Index P	Fl. 300	373	8.80	9	9	-	-	Fl. 292.61
EOE Index P	Fl. 305	82	11.90	9	13	-	-	Fl. 292.61
EOE Index P	Fl. 315	89	19.90	-	-	-	-	Fl. 292.61
S/Fl C	Fl. 200	86	1.50	32	2.70 b	54	3.50	Fl. 197.40
S/Fl C	Fl. 205	136	0.60	2	1	-	-	Fl. 197.40
S/Fl C	Fl. 210	-	-	-	-	39	1	Fl. 197.40
S/Fl P	Fl. 190	3	0.70	-	-	113	1.90	Fl. 197.40
S/Fl P	Fl. 200	13	4.20 b	5	5.50	50	5.50	Fl. 197.40

Series		Jan. 90 Vol	Last	Apr. 90 Vol	Last	Jul. 90 Vol	Last	Stock
ABN C	Fl. 40	139	1.20	43	2.60	6	3.10 b	Fl. 40.40
ABN P	Fl. 40	-	-	53	1.20	14	1.50	Fl. 40.40
Ahold C	Fl. 135	375	3	-	-	-	-	Fl. 133.20
Akzo C	Fl. 140	128	0.90	612	4.60	52	5.60	Fl. 134.40
Akzo P	Fl. 130	26	1.20	135	3	100	6	Fl. 134.40
Amev C	Fl. 65	277	0.70	14	2.80	-	-	Fl. 62
Amev P	Fl. 55	113	0.30	-	-	-	-	Fl. 62
Amro C	Fl. 80	64	1	123	3	6	3.70	Fl. 76.60
Amro P	Fl. 75	5	0.50	141	2.70	30	3	Fl. 76.60
BUHRMANN-T P	Fl. 65	150	1.10	-	-	-	-	Fl. 66.80
DAF N.V. C	Fl. 47.50	-	-	42	1.10	-	-	Fl. 41.50
Gist-Broc. C	Fl. 35	11	0.40	145	1.40	17	1.80	Fl. 31.70
Heineken C	Fl. 125	40	4	-	-	-	-	Fl. 125.10
Hoogovens C	Fl. 90	318	1.30	82	5 a	-	-	Fl. 84.30
Hoogovens P	Fl. 80	59	1.30	7	3.50	-	-	Fl. 84.30
KLM C	Fl. 50	91	0.40	359	2.20	8	3.50 b	Fl. 46.80
KLM P	Fl. 45	74	0.30	5	1.70	3	3	Fl. 46.80
KNP C	Fl. 50	140	3	12	4.40	-	-	Fl. 52
KNP P	Fl. 50	123	0.50	12	2.70	-	-	Fl. 52
NEDLLOYD C	Fl. 90	123	2	29	5	8	7.80	Fl. 85.40
NEDLLOYD P	Fl. 82	149	1.20	-	-	-	-	Fl. 85.40
NMB C	Fl. 50	255	0.60	14	1.80	18	2.30	Fl. 48.90
NMB P	Fl. 48	5	0.60	60	2.20	-	-	Fl. 48.90
Nat.Ned. C	Fl. 75	174.	0.90	229	2.70	43	3.80	Fl. 71.70
Philips C	Fl. 50	1588	0.40	309	2	136	3	Fl. 46
Philips P	Fl. 45	185	0.70	162	2.70	104	3	Fl. 46
Royal Dutch C	Fl. 150	259	2	770	5.30	5	7	Fl. 146
Royal Dutch P	Fl. 140	212	0.50	110	2.50	10	5	Fl. 146
Robeco P	Fl. 105	309	0.90	-	-	-	-	Fl. 106.70
Unilever C	Fl. 160	177	2.80	126	7.30	-	-	Fl. 158.60
Unilever P	Fl. 160	261	3 b	104	5.80	-	-	Fl. 158.60
Van Ommeren C	Fl. 32.50	667	1	39	2.20	3	2.60 b	Fl. 30.50
Van Ommeren P	Fl. 27.50	108	0.80	270	1.70	5	2	Fl. 30.50
Wessanen C	Fl. 70	12	0.50	50	1.30	2	2.20	Fl. 60.60

TOTAL VOLUME IN CONTRACTS : 31,975
A=Ask B=Bid C=Call P=Put

The Republic of Italy
U.S.$500,000,000
Floating Rate Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 21 December, 1989 to 21 June, 1990 the Notes will carry an interest rate of 8.3125% per annum. The interest payable on the relevant interest payment date, 21 June, 1990 will be US$420.24 per US$10,000 Note and US$10,506.08 per US$250,000 Note.

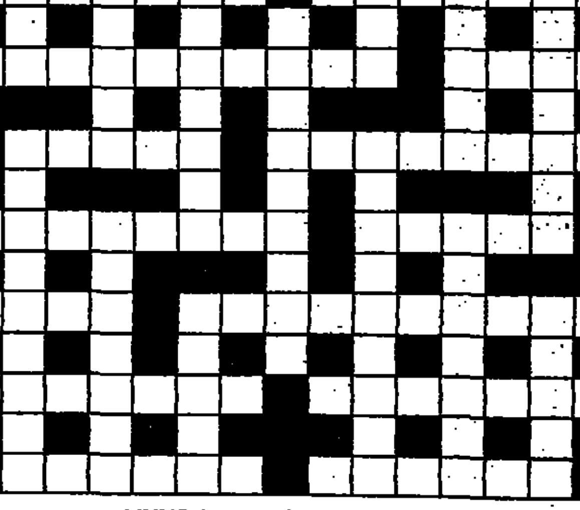
21 December, 1989

Istituto Bancario San Paolo di Torino, London as Agent Bank

JOTTER PAD

CROSSWORD

No.7,121 Set by FETTLER



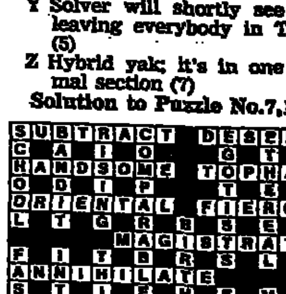
ALPHABETICAL JIGSAW

Answers should be placed where they fit. The positions of four of the answers should be immediately obvious.

ACROSS

A Starch in gown restricts bowing (7)
B Hold up glutton, grabbing seconds (7)
C To see obscure bird alight is wishful thinking (5-6-4)
D Fawn material? (3-4)
E Knowing from experience, I place rim correctly (9)
F Tom's family is strangely alien in far eastern capitals (7)
G Fly, edgy one, with little wings trembling (6-3)
H This Latin repeatedly evokes his physical state (7)
I Shoddy label is a dingy yellowish grey (8)
J The pace to stimulate an old crone (7)
K Enthusiastic cry (4)
L Oh golly! It's rocky science (9)
M Enchantment expands their use (5,9)
N Inert mixture's found in explosives (5)
O Organising coup, Cy can secure possession (9)
P Rank outsider – parking on the old track (3-3)
Q Manx tabby goes by rail, oddly enough (7)
R See wild carp recoil, being reflexive (10)
S Pace of the best rider (6)
T Tussock's crammed full, excepting for the edges (5)
U "Independent" is leaderless, being without printing medium (8)
V Bovril's the source of Bulwer-Lytton's power (4)
W Certain dolphins sweat hard while at sea (5,6)
X Hydroxyl, energised, produces coal-tar derivative (6)
Y Solver will shortly see one leaving everybody in Texas (5)
Z Hybrid yak; it's in one animal section (7)

Solution to Puzzle No.7,120



MONEY MARKETS

London rates steady

There was very little reaction on the cash market in London to news of lower than expected November lending by UK banks and building societies. Although the news was encouraging, dealers doubted whether it brought a cut in UK bank base rates any nearer. The important three-month sterling interbank rate closed unchanged at 15⅛-15 1/16 per cent.

UK clearing bank base lending rate 15 per cent *from October 5*

Short sterling futures on Liffe reacted rather more positively to the news, rising to a peak of 85.70 for March delivery, and closing at 85.67 against 85.61 on Tuesday.

Day-to-day credit was in short supply on the money market. The Bank of England initially forecast a shortage of £850m, but revised this to £800m at noon. Total help of £930m was provided.

An early round of help was *offered and at that time the* authorities bought £446m bills, for resale to the market on January 8, at rates of 14⅞-14 29/32 per cent. In further operations before lunch the Bank of England purchased £126m bank bills outright, in band 1 at 14⅞ per cent.

In the afternoon another £123m bills were bought outright, by way of £113m bank bills in band 1 at 14⅞ per cent; £2m Treasury bills in band 2 at 14¾ per cent; and £8m bank bills in band 2 at 14 13/16 per cent. Late assistance of around £235m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £763m, with a rise in the note circulation absorbing £315m and bank balances below target £40m. These factors outweighed Exchequer transactions adding £260m to liquidity.

In Frankfurt call money fell to 7.50 per cent from 7.60 per cent on news that the West German Bundesbank had accepted bids of DM15.2bn at this week's securities repurchase agreement tender. As only DM9.7bn drained from the market, via an expiring pact, a net DM5.5bn was added to liquidity.

This was not regarded as a sign of easier credit policy by the Bundesbank however. The extra funds will be needed to *help banks meet monthly* minimum reserve requirements at a time of December tax payments and increased consumer spending over the Christmas period.

On Monday bank's reserve holdings at the Bundesbank fell to DM56.8bn from DM57.6bn on Friday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.20) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10½	One month	7.39	Three year	7.68
Broker loan rate	9½	Two month	7.58	Four year	7.73
Fed.funds	8⅛	Three month	7.87	Five year	7.67
Fed.funds at intervention		Six month	7.83	Seven year	7.77
		One year	7.66	10-year	7.75
		Two year	7.67	30-year	7.83

Dec.20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.45-7.55	7.80-7.95	7.85-8.00	7.85-8.00	7.95-8.10	8.00
Paris	10⅜-10¼	10 9/16-10 7/16	10¾-11	10⅞-11	10⅞-11	9.50
Zurich	7½-7⅝	8⅝-8⅞	-	8¾-8⅝	-	-
Amsterdam	8.35-8.45	8.53-8.63	-	8.53-8.63	-	-
Tokyo	6 11/16-6 13/16	6 13/16-6⅞	-	6 13/16-6 15/16	-	-
Milan	12½-12⅞	12⅞-13⅛	-	13-13⅛	-	-
Brussels	9.25	10⅛-10⅜	-	10¼-10½	-	-
Dublin	10⅝-10¾	11½-11¾	11⅝-11¾	11 11/16-11 13/16	12-12¼	-

LONDON MONEY RATES

Dec 20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅛	15 3/16	15 3/16	15¼	15	14⅝
Interbank Bid	14	15 1/16	15 1/16	15	14⅞	14½
Sterling CDs	-	-	15 1/16	15 1/16	14 13/16	14⅝
Local Authority Deps.	15⅛	15 1/16	15⅛	15	14⅞	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15⅛	15 1/16	14⅞	14⅝	-	-
Company Deposits	-	-	15¼	15⅛	15	14⅝
Finance House Deposits	-	-	15 5/16	15¼	14⅞	14½
Treasury Bills (Buy)	-	-	15 1/16	14⅞	-	-
Bank Bills (Buy)	-	-	14 13/16	14 13/16	13 13/16	-
Fine Trade Bills (Buy)	-	-	15⅛	15¼	14⅞	-
Dollar CDs	-	-	8.85	8.50	8.30	8.15
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9	8 13/16
SDR Linked Dep. Bid	-	-	8⅞	8 13/16	8¾	8 11/16
ECU Linked Dep. Offer	-	-	11 3/16	11 3/16	11 3/16	11 3/16
ECU Linked Dep. Bid	-	-	11 1/16	11 1/16	11 1/16	11 1/16

Treasury Bills (sell); one-month 14 13/16 per cent; three months 14⅝ per cent; Bank Bills (sell); one-month 14⅞ per cent; three months 14 13/16 per cent; Treasury Bills; Average tender rate of discount 14.4838 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30 1989. Agreed rates for period December 26 1989 to January 23 1990, Scheme I: 15.87 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Nov.1,1989 to November 30, 1989, Scheme IV&V: 15.148 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from December 1, 1989; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Adam & Company	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Trust Bank	15	Coutts & Co	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Cyprus Popular Bk	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
Associates Cap Corp	14	Duncan Lawrie	15	Roxburghe G'rantee	15½
Authority Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Bank of Baroda	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Standard Chartered	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	TSB	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Cyprus	15	Girobank	15	United Mizrahi Bank	15
Bank of Ireland	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of India	15	HFC Bank plc	15	Western Trust	15
Bank of Scotland	15	● Hambros Bank	15	Westpac Bank Corp.	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Benchmark Bank PLC	15	● Hill Samuel	§15		
Brit Bk of Mid East	15	C. Hoare & Co.	15		
● Brown Shipley	15	Hongkong & Shangh.	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
		Mount Banking	15		
		Nat. Bk. of Kuwait	15		
		NatWestminster	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices December 20

6250 Cara	$18¼	17⅞	17⅞	
2200 Cara A f	$18	17⅞	18	+ ¼
7200 Careen	$27¼	26¾	27¼	+ ½
5100 Cascades	$5⅝	5½	5⅝	+ ⅛
6300 Celanese	$30	29¾	30	+ ¼
1580 Cen Capital	$11⅛	11⅛	11⅛	− ⅛
20191 CenCap A	$9¾	9⅝	9¾	+ ⅛
5600 CentFd A	$6⅝	6½	6½	− ⅛
26500 C Guar Trc	$10⅛	10⅛	10⅛	+ ⅛
61500 Charan	65	58	60	− 5
2024 Hollingr	$12⅛	12	12⅛	− ⅛
47850 Horsham f	$11½	11¼	11½	+ ⅛
2780 H BayMn s	$8¼	8⅛	8⅛	
32382 H Bay Co	$31	30¾	30¾	− ⅛
31036 Imasco L	$37¼	37½	37¼	+ ⅛
28175 Imp Oil A	$62¾	62	62¾	+ ⅛
21968 Inco	$31⅞	31⅛	31⅛	− ⅛
5500 Innopac	$8½	8¼	8½	+ ⅛
41980 Inter City	$22⅛	22⅜	23	
37620 Power Cor f	$15¾	15⅜	15⅜	− ⅛
12707 Power Fin	$21⅛	21	21⅛	
12867 Provigo	$9⅞	9⅝	9⅞	− ⅛
1425 Que Tel	$15⅝	15½	15⅝	+ ⅛
1130 Quebcor A	$14⅜	14⅜	14⅜	
9600 Ranger	$7	6⅞	7	
12200 Rayrock f	$11½	11⅛	11⅛	− ⅛
200 Rd Stenhs S	$37½	37½	37½	
500 Redpath A f	$15½	15½	15½	+ ½
110 Wat Fraser	$16½	16½	16½	− ⅛
11608 Woodwd L	$20⅛	20	20	
45844 Westmin	$8⅞	8¾	8¾	
13684 Weston	$42⅞	42⅞	42⅞	+ ⅛
500 Winnbed A	240	240	240	
86 Xerox Can	$21	21	21	

f—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Dec 19	Dec 18	Dec 15	Dec 14	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2695.61	2697.53	2739.55	2753.63	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.43	93.47	93.37	93.45	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1139.22	1140.83	1170.70	1185.63	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	233.65	233.65	235.98	234.66	235.98 (15/12)	181.84 (24/2)	235.98 (15/12/89)	10.50 (8/4/32)

♦Day's High 2720.14 (2755.55) Low 2658.78 (2679.82)

STANDARD AND POOR'S	Dec 19	Dec 18	Dec 15	Dec 14	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	342.46	343.69	350.14	350.93	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	392.45	393.60	399.80	400.56	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	29.28	29.53	30.90	31.37	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	189.40	190.17	193.45	193.97	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	367.95	370.86	375.50	376.82	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	434.35	436.03	443.84	447.48	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec 15	Dec 8	Dec 1	year ago (approx.)
Dow Industrial Div. Yield	3.89	3.90	3.87	3.73
	Dec 13	**Dec 6**	**Nov 29**	**year ago (approx.)**
S & P Industrial div. yield	2.90	2.92	2.96	3.15
S & P Indl. P/E ratio	14.92	14.82	14.59	12.86

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Philip Morris	2,728,700	40⅛	− 1⅛
Fannie Mae	2,492,300	32½	+ 1⅛
Unisys Corp	2,362,600	14⅛	+ ⅛
IBM	2,242,200	94¾	+ 1⅛
Citicorp	2,040,800	27	+ ⅛
Gen Electric	1,976,900	62¾	+ ⅛
Am T & T	1,927,400	45½	− ½
BankAmerica	1,887,400	24½	+ ⅝
Chase Manhattan	1,854,700	32⅛	+ ⅛
Varity Corp	1,809,200	2⅛	− ⅛

TRADING ACTIVITY

† Volume (Millions)	Dec 19	Dec 18	Dec 15
New York	186.060	187.086	240.390
Amex	12.060	13.822	14.044
NASDAQ	163.625	146.692	144.387
Issues Traded	1,991	1,988	1,994
Rises	514	350	618
Falls	1,016	1,279	896
Unchanged	461	359	480
New Highs	25	52	71
New Lows	146	122	89

CANADA

TORONTO	Dec 19	Dec 18	Dec 15	Dec 14	1989 HIGH	1989 LOW
Metals & Minerals	3303.59	3334.35	3346.51	3347.43	3919.2 (1/9)	3207.5 (3/1)
Composite	3915.80	3958.54	3986.20	3995.33	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	1995.03	2022.05	2037.59	2042.66	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 20	Dec. 19	Dec. 18	Dec. 15	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1638.2	1632.4	1629.2	1619.1	1781.8 (29/9)	1412.9 (7/4)
All Mining (1/1/80)	831.4	822.3	819.5	811.0	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	457.00	456.75	460.48	461.35	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6382.19	6363.08	6399.29	6398.88	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	355.88	357.04	358.80	358.05	360.93 (6/12)	275.49 (27/2)
FINLAND						
Unitas General (1975)	623.6	620.0	612.6	614.3	815.8 (18/4)	580.8 (23/11)
FRANCE						
CAC General (31/12/82)	538.7	538.7	541.6	546.1	561.6 (11/10)	417.9 (4/1)
Ind Tendance (30/12/88)	125.1	124.9	125.1	126.1	128.1 (10/10)	97.5 (27/3)
GERMANY						
FAZ Aktien (31/12/58)	700.70	688.47	686.12	684.25	700.70 (20/12)	535.78 (27/2)
Commerzbank (1/12/53)	2067.7	2030.7	2024.4	2019.1	2068.9 (7/12)	1595.7 (27/2)
DAX (30/12/87)	1675.01	1647.50	1634.57	1627.43	1675.01 (20/12)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2868.49	2879.42	2900.21	2896.57	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)		1734.09	1744.55	1748.96	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital (1972)	679.85	677.46	679.59	680.40	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	38512.00	38439.10	38586.18	38271.04	38586.18 (18/12)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2849.17	2852.59	2884.80	2874.56	2884.80 (18/12)	2366.91 (6/1)
2nd Section (4/1/68)	3845.15	3850.48	3866.95	3856.71	3866.95 (18/12)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	260.5	257.9	(u)	259.5	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	199.8	197.9	(u)	199.1	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	671.07	671.67	674.25	672.68	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1028.10	985.66	977.44	1002.81	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1459.89	1452.18	1460.02	1468.56	1468.56 (15/12)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2122.0♦	2174.0	2213.0	2220.0	2254.0 (12/12)	1291.0 (15/2)
JSE Industrial (28/9/78)	2766.0♦	2800.0	2507.0	2809.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	933.45	926.82	914.92	918.04	1007.80 (3/4)	844.75 (11/12)
SPAIN						
Madrid SE (30/12/85)	298.11	300.69	302.48	303.25	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	41146.7	4127.3	4140.2	4168.8	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	753.9	751.1	745.7	754.4	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	8622.58	8706.24	8674.88	8568.46	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	833.88	824.94	815.93	827.81	834.70 (14/12)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	553.5	557.4	560.3	562.5 (13/12)	487.6 (13/6)

**Saturday Dec. 16: Taiwan Weighted Price. 8548.96 Korea Comp Ex. 921.87.
♦ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday December 19 1989

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	64.2m	1,190	+130
Dowa Mining	32.6m	1,540	+200
Cosmo Oil	32.1m	1,450	+90
Mitsubishi Oil	25.3m	1,830	+10
Mitsui Mining	23.6m	1,050	+68
Nippon Oil	22.7m	1,940	+40
Sumitomo Mtl	22.3m	881	-24
Nippon Paint	15.7m	1,340	-30
Mitsubishi Mtl	15.6m	1,270	+50
Nippon Steel	14.3m	808	-17

3pm prices December 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	24	AAR	.48	1.4	20	604	34¾	34	34⅛	– ⅛
9⅝	8⅜	ACM n	1.01	11.		228	9¼	9⅛	9¼	+ ⅛
11⅝	10¼	ACMIn	1.26	12.		308	11	10⅞	10⅞	
10	8	ACM M	n1.01	11.		410	9	8⅞	9	
11½	10	ACM Sc	1.26	11.		1283	11⅛	10⅞	11⅛	
9⅝	8⅜	ACMSp	1.01	11.		695	9⅛	9	9⅛	
18	11½	AL Lab	.16	.9	18	117	17¾	17½	17½	– ⅛
4⅞	3⅛	AMCA	.12e	3.6	8	110	3⅝	3⅜	3⅜	– ⅛
6⅛	4⅛	AM Int			9	758	4⅜	4⅛	4⅛	
23⅜	16⅞	AM In pf	2	11.		252	18	d17⅞	17⅞	– ⅝
107¼	51½	AMR			7	6748	60½	58¼	58½	–1½
6½	3¼	ARX				125	3⅜	3¼	3¼	– ⅛
59¼	37⅞	ASA	3a	5.3		731	57¼	55⅝	57⅛	+ ⅛
30½	16¼	AVX	.24	.8	29	348	29⅞	29⅜	29⅜	– ⅛
70⅛	45¼	AbtLab	1.40	2.1	18	3375	65¾	65	65⅜	+ ½
18¼	12	AbitiBi g	1			51	12	d11⅞	11⅞	– ⅛
13	8½	AcmeC	.40	3.6	14	30	11¼	11⅛	11⅛	– ⅛
9¼	6	AcmeE	.32	3.6	12	1	8⅞	8⅞	8⅞	+ ⅛
38½	22	Acuso			20	299	30½	30¼	30⅜	
15¼	12⅞	AdaEx	2.08e	13.		131	15⅛	15⅜	15⅜	
13⅞	6½	Adobe				165	13½	13¼	13½	+ ⅛
21⅜	19⅞	Adob pf	2.40	11.		37	21¼	21¼	21¼	
10½	7⅛	AMD				6384	7¾	7½	7½	– ⅛
35	28½	AMD pf	3	10.		16	29⅞	29⅜	29⅞	+ ¼
10⅛	6⅝	Advest	.16	2.1	11	28	7⅛	7⅛	7⅜	
62½	45⅛	AetnLf	2.76	4.9	9	2380	56½	55⅞	55⅞	– ⅜
14	11	AflPb	.24	2.1		1240	11⅝	11¼	11¼	+ ⅛
25	15¼	Ahmans	.88	5.1	9	4740	17¼	16⅝	17⅛	+ ⅛
3⅞	2¼	Aileen				59	2½	2⅞	2⅜	– ⅛
48¾	39⅞	AirPrd	1.32	2.9	17	659	45½	45	45⅛	– ⅜
39⅝	19⅝	AirbFrt	.60	1.7	18	124	35⅞	35⅝	35⅝	– ⅛
25⅛	14½	Airgas			13	27	22⅞	22⅜	22⅜	– ⅛
20¾	18⅛	Airlease	2.40	12.	11	18	19⅞	19⅜	19⅜	+ ⅛
24¼	21⅜	AlaP	pf2.08e	9.6		2	22	22	22	
10¼	8½	AlaP	dpf.87	8.9		59	9⅞	9⅜	9⅜	+ ⅛
30½	19⅝	AlskAir	.20	1.0	7	560	21⅛	20½	20⅜	– ⅜
23½	15⅛	Albnym	.35	1.8	12	168	19¼	19	19¼	+ ⅜

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10¾	9⅝	PMM	a.75a	7.8		215	9⅝	9½	9⅝	+ ⅛
9⅝	7½	PMIT	1.03a	14.		1081	7⅝	7½	7⅝	− ⅛
9⅝	8	PMIT	1.10a	14.		2327	8⅝	8	8⅛	− ⅛
8⅝	7⅝	PPrIT	1.14	14.		2788	8⅛	7⅞	8	− ⅛
12	7	QMS			7	125	11⅝	11	11⅝	+ ⅛
1	5-32	Qantel				291	11-32	¼	¼	− 1-16
68⅞	49⅝	QuakrO	1.40	2.5	21	895	57	55½	56½	− ⅛
19⅝	13⅝	QuakSC	.80	5.6	25	923	14⅛	14⅛	14⅛	+ ⅛
19	12⅝	Quanex	.40	2.7	7	177	14⅝	14⅝	14⅝	+ ⅛
31¾	25	Quanx	pf2.25	8.9		11	25⅞	25¼	25½	+ ¼
59½	29¾	Quantm	.3a	10.	2	833	29⅝	c29	29⅝	
13¾	10⅝	QstVl	1.20s	8.9		401	u13½	13	13½	+ ⅛
14	6¼	QstVC				482	13	12¾	12⅞	+ ⅛
39⅝	31½	Questar	1.92	5.0	18	136	38⅝	38	38¼	− ⅛
28¾	10¼	QkRelty	.24	1.8	22	78	13½	13⅛	13½	+ ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
44¼	23¾	XTRA	.72	2.8	20	81	25⅝	25⅜	25⅜	− ¼
33	21¾	XTRA pf1.94		8.9		231	22⅛	21⅞	21⅞	− ⅛
4⅛	2	Zapata				401	3⅜	3¼	3⅜	+ ⅛
13⅝	7⅞	Zemex	.20	2.5		25	8	8	8	− ⅛
21½	11½	ZenithE				632	12¾	12	12⅜	− ⅛
2½	3-16	vjZenLb				683	¼	3-16	¼	
21½	15⅛	ZenNt	.84	4.7	8	28	18⅛	18	18	− ⅛
10	6⅞	Zenix	1.20	17.		236	7⅛	7⅛	7⅛	− ⅛
18½	12¾	Zero s	.40	2.8	13	92	14½	14⅛	14⅛	− ⅛
44¼	25¾	Zurnin	.76	2.1	17	86	37¼	36¾	36⅞	− ½
12⅞	10	Zweig	1.12e	9.1		417	12¾	12⅛	12¼	+ ⅛
9⅞	8¾	ZweigTl	.96	9.8		1962	9⅞	9⅝	9¾	− ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices December 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices December 20

Stock	Div.	Sales 100s	High	Low	Last	Chng
ZionUt	1.44	10	27¾	27	27	− ¼

AMERICA

Dow eases as investors continue to take profits

Wall Street

A CLEAR signal from the US Federal Reserve that it had eased monetary policy by another notch failed to provide solace for the stock market yesterday, as profit-taking continued amid nervousness about the economic outlook, *writes Janet Bush in New York.*

After jumping about 8 points immediately after the opening bell, apparently on news of the US military offensive in Panama, the Dow Jones Industrial Average dipped back. At 2 pm, the Dow was quoted 10.24 points lower at 2,685.37 on active volume of 114m shares by midsession.

Having been 30 points down at one stage in the previous session, the Dow had closed 1.92 lower on Tuesday.

The most pronounced profit-taking yesterday morning came in blue chip issues. The broadly-based Standard & Poor's 500 index was quoted 1.08 point higher at 343.54 at midsession and the Nasdaq Composite stood 1.47 higher at 435.82. The American Stock Exchange Index was marginally lower.

The mixed performance in the equity market came in spite of a modest rally in the Treasury bond market in reaction to the Fed's clear easing signal, which appeared to shift its target for Federal Funds to 8¼ per cent from the 8½ per cent level which had prevailed since early November.

In spite of an upward revision in the third-quarter gross national product (GNP) growth rate to 3 per cent from the 2.7 per cent reported, the equity market is now displaying concern about a possible recession next year. Fourth-quarter GNP is expected to be very weak if figures already published are borne out.

Heavy buying of cars and trucks in the third quarter boosted GNP significantly, but figures for sales in the final three months of the year appear to have more than reversed the earlier gain.

Selected blue chips fell back: IBM dropped $⅝ to $94⅝, General Electric fell $⅜ to $62⅝ and Aluminum Company of America lost $¾ to $72⅝.

Some consumer non-cyclicals, which were heavily sold on Tuesday, continued to be weak yesterday. Coca-Cola fell $1⅜ to $77⅛.

Among featured individual issues, Walt Disney, which has dropped precipitously all week, fell another $10¼ to $113¼. Goldman Sachs was reported to have removed the stock from its recommended list, citing concerns that a possible recession could hurt earnings.

Campbell Soup, already boosted to high levels this year by takeover speculation, was quoted $1⅜ higher at $54⅛. Ms Hope H van Beuren, who holds a 6.2 per cent stake, said she might propose a merger or reorganisation.

Tesoro Petroleum added $⅝ to $9⅛ after Harken Energy said that it had received an extension on the financing for its $11.75-a-share takeover offer. The company added that it was considering a lower offer and a proxy fight for control of the company.

Alexander's jumped $3⅞ to $53⅞ after the company said that it had retained Morgan Stanley to explore its possible sale and other options at the request of Mr Donald Trump, the New York real estate developer, and Interstate Properties. Both have 27 per cent stakes.

Systems Center added $¾ to $19¼ after the company's announcement that it had agreed to acquire Software Developments International of Australia in a stock swap.

Canada

A SLIGHT rise came in quiet trading by midsession in Toronto. The composite index firmed 5.9 to 3,921.8. Advances led declines by 287 to 274 on volume of 15m shares.

Gold stocks were mostly a little higher, in spite of unchanged London bullion prices. Corona rose C$⅛ to C$10⅝ and Ican gained 6 cents to C$10⅝, but Lac Minerals lost C$⅛ to C$14⅛.

Thai outlook obscured by economic mists

Roger Matthews examines the foundations of Bangkok's spectacular gains in 1989

THE OFFICIAL weather forecast for Bangkok this week was "Cool. Slight morning mist. Maximum temperature 30 deg C (86 F)."

As winter tightens its grip on the City of Angels and residents wrap their children in woolly hats, the one sure place to keep warm is the Securities Exchange of Thailand. There, too, 30 C would certainly be considered cool.

By mid-December, the SET index had climbed by over 114 per cent on the year and investors who had bought shares in, for example, Siam Cement at the beginning of 1989 had tripled their money. Whether more recent purchasers are about to catch a cold is now the subject of much debate.

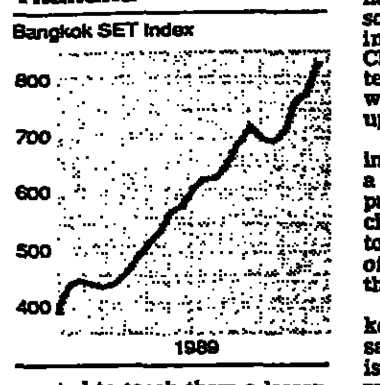
Thailand's economic fundamentals still look good, although it might be prudent to begin paying a little more attention to the less positive aspects. Growth in gross national product (GNP) this year will be more than 10 per cent and government economists are forecasting 9 to 9.5 per cent in 1990, basing their view in part on investment commitments and assuming that there will not be any significant slowing in world trade.

With company profitability reflecting this buoyancy and the SET having performed rather below expectations in 1988, there was every reason to expect a strongly rising market this year. Foreign interest was markedly higher in the first half of the year but in the past two months it has been mainly local investors who have pushed the index to levels that are causing concern.

Of equal concern to some brokers and politicians has been the impact on the market of the individualistic and increasingly controversial Mr Pramual Sabhavasu, the Minister of Finance.

In an interview at the weekend, Mr Pramual admitted that in October he had deliberately tried to talk the market up, and in November he had tried to talk it down by raising the spectre of a capital gains tax on share dealing. He said he thought some people were manipulating the market and

Thailand



wanted to teach them a lesson. When his bluff was called, the market again bounded higher.

Much the same has happened over interest rates. With inflation creeping towards 7 per cent, many senior officials at the Finance Ministry and the Bank of Thailand favoured and expected the raising of the ceiling on interest rates. Mr Pramual thought differently. He took on and defeated the central bank ("In future if they want to do anything they will have to come to me"), bruised some of his Cabinet colleagues including Gen Chatichai Choonhavan, the Prime Minister, and provided the market with further cause for marking up prices.

He later declared that raising interest rates was "too easy a way out of inflation" and he preferred a more difficult and challenging method of trying to control the lending policies of the commercial banks through the Bank of Thailand.

"All this has given the market an entirely wrong message," said one broker. "There is no question that interest rates will be going up and inevitably it is the smaller borrowers who are going to be squeezed first and most painfully. But no one yet seems to fully appreciate this. The market has gone too far, too fast and a modest correction would now be in order."

The recent performance by Mr Pramual has fuelled wider concerns about the Cabinet's management of the economy and the extent to which overtly political considerations are influencing the decision-making process. The selection of the consortium to build the urgently-needed mass rapid transit system for Bangkok has been delayed for another six months, while plans to build a new conference centre in the middle of the city went through Cabinet almost without discussion.

Equally, privatisation plans are hanging fire at a time when the market would welcome some additional stock to help satisfy the recent, apparently insatiable demand.

Brokers' advice, particularly to foreigner investors, is to keep their gaze set firmly on the middle distance. "Speculation is entirely for Thais," commented a broker. "It is impossible to gauge the daily movements of the market when there are so many imponderables.

"However, Thailand remains a very sound investment and even if there is a sizeable correction there would be no less reason to be optimistic about the longer term."

EUROPE

FAZ bursts through 700 after Kohl's Dresden visit

POLITICAL events figured strongly yesterday, with West Germany inspired by its eastern neighbour once again, and France and the Netherlands boosted by a higher dollar in the wake of US action in Panama, *writes Our Markets Staff.*

FRANKFURT rose in heavy turnover as investors, inspired by Chancellor Helmut Kohl's visit to Dresden, continued to show enthusiasm for East Germany-related stocks.

The FAZ index broke through the 700 level to a post-crash high of 700.70, up 12.23 or 1.8 per cent. The DAX index rose 27.51, or 1.7 per cent, to a record 1,675.01. Turnover surged to DM7.9bn from Tuesday's already busy DM5.8bn.

There has been a flood of plans recently for joint East/West ventures and for opening offices in East Germany. Yesterday, the Bundesbank said it would allow firms and banks to open offices in the East immediately.

This was one of three reasons why West Germany should benefit from developments, according to an International Asset Briefing from SG Warburg Securities this week. The others were the potential benefits from the influx of refugees; and the need for restructuring in East Germany.

"But the debate should be perhaps over the potential financing of this investment. After all, the constraint to the demand for western products is likely to be chiefly one of finance rather than need. The international financing flows into East Germany could indeed be quite significant – perhaps disappointing those Jeremiahs who believe that overall the progress will be painfully slow and limited," Warburg writes.

Among big movers were Daimler, up DM23.80 at DM713.80, VW, rising DM9 to DM518.50, electronics group Siemens, up DM13.60 at DM665.50, and retailer Karstadt, gaining DM17 to DM661.

Metallgesellschaft added another DM20 to DM567 on this week's news of a venture in Hungary. Hugo Boss, the men's clothing company, was suspended for an announcement that the principal shareholders were selling a majority stake to Leyton House of Japan.

PARIS was still feeling cautious, but strong demand for certain stocks pulled the market higher. The dollar strengthened against the D-Mark, enabling the franc to gain some ground against the West German currency, which also helped sentiment.

The OMF 50 index gained 4.84, or 0.9 per cent, to 532.55.

Oil refiners advanced as crude prices rose after the US intervention in Panama. Esso France surged FFr59, or 9.7 per cent, to FFr669 and Raffinage gained FFr8.90 to FFr173.90.

Paribas, the bank, gained FFr27, or 3.4 per cent, to a year's high of FFr742 in the day's most active business. There was speculation that Navigation Mixte, itself a takeover target of Paribas, was an active buyer.

Eurotunnel gained FFr2.65 to FFr55.15 in busy trading after saying that passengers would be able to stay in their vehicles on the Channel tunnel trains, which should cut costs.

Bouygues lost FFr15 to FFr664 after news that the construction group had taken a 3.5 per cent stake in Spain's Banco Central.

MILAN moved up in turnover believed to be higher than Tuesday's moderate L215bn. Enimont was active before a debate in Parliament on a tax break law affecting Montedison; it rose L36 to L1,646 after the close. The Comit index found 2.39 to 679.85.

ZURICH rose in turnover restricted by an absence of institutional investors. Bargain-hunters sought banking and insurance issues, while Frankfurt's advance boosted confidence. The Crédit Suisse index gained 2.8 to 610.4.

Union Bank bearers rose SFr45 to SFr3,875 and Zurich Insurance bearers added SFr90 to SFr5,100.

AMSTERDAM gained ground on the higher dollar, but closed off its day's highs in thin trading. The CBS tendency index rose 1.3 to 182.9. Leading internationals performed well, with Royal Dutch up Fl 1.30 at Fl 146 and Unilever Fl 2.10 higher at Fl 158.60.

HELSINKI advanced in heavy volume – most of it again in restricted shares. The Unitas all-share index rose 3.6 to 623.6 in turnover of FM217m, of which free shares comprised only FM6m. Wartsila series II free shares gained FM27 to FM380 and Lohja's A series restricted shares rose FM11 to FM216 after the two companies said they planned to merge.

STOCKHOLM picked up after early losses in active trading. The Affärsvärlden General index gained 7.8 to 1,219.4 in turnover of SKr417m.

Alfa-Laval, the farm engineering company, jumped SKr9 to SKr217 in heavy trading. It announced that it had won a SKr480m order from Algeria.

OSLO was tugged higher by shipping stocks, which gained on prospects of higher rates and longer charters after events in Panama which could affect the Panama Canal.

The all-share index gained 1.15 to 517.81. Turnover was NKr304m, of which NKr184m was in shipping issues.

BRUSSELS rose on bargain-hunting, with metal stocks leading the way. The cash market index gained 19.11 to 6,382.19.

MADRID saw the general index fall below 300, amid worries about Wall Street in the light of events in Panama. The index eased 2.58 to 298.11.

ASIA PACIFIC

Further talk of credit tightening limits rise

Tokyo

LINGERING concern about a possible rise in the official discount rate kept a lid on buying enthusiasm, but arbitrage activity shored up the Nikkei index towards the close, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average finished with a moderate gain of 72.90 at 38,512.00. Share prices had made a buoyant start, with the index gaining more than 120 points, but had then fallen back on renewed talk of an increase in the discount rate, losing 128 points by the morning close. It fluctuated between a day's high of 38,571.78 and a low of 38,310.53.

Declines led advances by 507 to 424, while 207 issues were unchanged. Turnover was robust at 1.1bn shares, up from 966m on Tuesday. The broad-based Topix index lost 3.42 to 2,849.17 and, in London trading, the ISE/Nikkei 50 index was off 0.14 at 2,135.33.

Investors had been puzzled by Tuesday's drama about a possible increase in the official discount rate. Signs from the Bank of Japan had indicated that it was in favour of a rise. But Mr Ryutaro Hashimoto, the Minister of Finance, flatly rejected the possibility, on the grounds that neither prices nor the yen's level warranted an immediate discount rate rise.

Although Mr Hashimoto's rejection appeared to settle the matter, Bank of Japan officials hinted again yesterday morning at a need to raise the rate, sparking further speculation about an increase this year.

The market, in all the confusion, was said to be on the way to discounting a rate increase. None the less, with the possibility of a third discount rate rise this year, the market's upward trend could be reaching a turning point, said Mr Hiroaki Hanao at Daiwa Securities.

Short-term interest rates were very high, he said, and there was speculation that if the situation in Panama took a turn for the worse, this could lead to a higher dollar or increased oil prices, putting pressure on the yen. This would then give the Bank of Japan a good excuse to raise the discount rate.

At the same time, possibilities for arbitrage between the futures and cash indices which have kept the market moving higher were not likely to last forever, said Mr Hanao. The chances to profit from such arbitrage have been concentrated in the period since late November, when the March futures contract began trading and the December contract was approaching its close.

Expectations of higher prices ahead gave the March futures contract a very high premium over the underlying Nikkei index, providing arbitrageurs with a great opportunity to take advantage of the discrepancy.

In terms of buying themes, trading houses returned to favour. They have been bought on expectations of increasing trade with communist countries, and the finance ministry's rejection of an increase in the discount rate spurred renewed interest. Nissho Iwai was second on the volumes list with 38.1m shares and gained Y90 to Y1,180. Marubeni followed with 36.3m shares and rose Y20 to Y1,050.

Resources were also actively traded, although many lost on profit-taking. Nippon Mining, top on the actives list with 43.1m shares, dropped Y40 to Y1,150. Sumitomo Metal fell Y40 to Y2,320.

Profit-taking took its toll on Osaka, where the OSE average suffered a 204.11 point loss to 38,752.54. Volume at 102m shares was slightly lower than the 106m traded on Tuesday. Mitsubishi Corp, the trading company, rose Y50 to Y2,000.

Roundup

DEMAND was healthy in Australia and South Korea, but most other markets in the region displayed a pre-holiday lethargy.

AUSTRALIA was pulled higher by domestic and foreign demand for resource and quality stocks. The All Ordinaries index gained 5.8 to 1,638.2. Moderate volume of 123m shares worth A$234m, up from Tuesday's 80m and A$196m, was swelled by options-related trading.

In the gold sector, Placer Pacific gained 12 cents to A$3.27 and Dominion Mining rose 7 cents to A$2.14.

Fletcher Challenge, the diversified forest company of New Zealand which has made an agreed bid for UK Paper, lost 8 cents to A$3.10, following a 9 cent loss on Tuesday.

SEOUL had another good day, as institutional demand continued to be strong. The composite index overcame some afternoon profit-taking to end 6.63 higher at 933.45, in busy trading of 31m shares worth 748bn won. On Tuesday, the index had gained 11.90 points in volume of 25m shares and 620bn won.

KUALA LUMPUR edged up to another record high, with the composite index adding 2.84 to 542.77. There was some profit-taking in the broader market, and turnover shrank to 67m shares from 74m on Tuesday.

SINGAPORE was mixed, as profit-takers vied with bargain-hunters, and the Straits Times industrial index closed 7.71 higher at 1,459.89.

Turnover declined to 72m shares from 82m. Malayan Banking rose 25 cents to S$9.45 following its announcement on Tuesday of bonus and rights issues.

HONG KONG eased quietly on profit-taking in the real estate sector, although foreign demand lent some support. The Hang Seng index lost 10.93 to 2,868.49 in turnover of HK$623m, down from HK$758m.

Among property issues, New World Development lost 20 cents to HK$10.80, Sun Hung Kai Properties fell 10 cents to HK$13 and Cheung Kong shed 10 cents to HK$9.55.

SOUTH AFRICA

ANOTHER rise in the financial rand helped to push shares down sharply in Johannesburg in thin pre-Christmas trading.

The steady bullion price failed to provide support for gold shares, which saw Vaal Reefs fall R14 to R412 and Freegold R2 to R53.50. The gold index plunged 52 to a provisional 2,122, while the industrial index lost 34 to 2,766.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 19 1989						MONDAY DECEMBER 18 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	148.66	+0.5	137.71	126.07	+0.4	5.40	147.88	136.77	125.60	160.41	128.28	141.87
Austria (19)	166.00	−0.8	153.77	149.42	−0.3	1.63	167.28	154.72	149.90	172.22	92.84	96.48
Belgium (63)	148.64	−0.9	137.69	133.43	−0.7	4.17	150.06	138.79	134.33	150.39	125.58	133.14
Canada (121)	149.61	−1.0	138.59	125.83	−0.9	3.20	151.14	139.79	127.01	154.17	124.67	122.76
Denmark (36)	234.18	−1.0	216.93	214.43	−0.6	1.47	236.44	218.68	215.66	237.06	165.35	153.83
Finland (26)	130.32	−0.2	120.72	112.29	+0.2	2.51	130.64	120.82	112.05	159.16	118.63	129.57
France (126)	147.41	−1.3	136.55	137.24	−0.6	2.72	149.32	138.10	138.13	150.60	112.57	109.65
West Germany (96)	111.86	−0.3	103.62	101.04	+0.3	2.08	112.20	103.77	100.71	112.97	79.58	87.77
Hong Kong (48)	119.88	−0.7	111.05	120.15	−0.7	4.75	120.74	111.67	121.03	140.33	86.41	107.94
Ireland (17)	174.33	−1.3	161.49	161.87	−0.6	2.69	176.58	163.32	162.78	179.42	125.00	130.45
Italy (97)	95.36	−0.3	88.33	91.73	−0.3	2.50	95.65	88.47	92.05	96.73	74.97	84.63
Japan (455)	195.77	−1.0	181.35	178.02	−1.2	0.46	197.78	182.93	180.16	200.11	164.22	184.85
Malaysia (36)	221.16	+0.0	204.87	229.77	+0.0	2.31	221.07	204.46	229.75	221.16	143.35	141.93
Mexico (13)	309.42	−0.5	286.62	904.27	−0.3	0.57	310.89	287.54	906.71	326.61	153.32	157.41
Netherland (43)	137.20	−0.9	127.09	122.42	−0.6	4.35	138.51	128.11	123.18	139.47	110.63	111.61
New Zealand (18)	71.09	−1.0	65.85	83.49	−1.0	5.55	71.78	66.39	84.13	88.18	62.84	65.85
Norway (24)	191.34	−0.7	177.25	173.55	−0.5	1.57	192.66	178.19	174.42	198.39	139.92	133.98
Singapore (26)	174.63	+0.0	161.77	153.43	−0.3	1.95	174.71	161.58	153.81	176.24	124.57	120.26
South Africa (60)	189.26	+1.5	175.32	157.60	−1.2	3.61	186.44	172.44	159.50	189.26	115.35	115.52
Spain (43)	161.37	−1.0	149.48	136.43	−0.9	3.85	162.94	150.70	137.63	169.75	143.14	148.16
Sweden (35)	182.48	+0.0	169.04	169.44	+0.0	2.02	182.45	168.74	169.42	188.94	138.45	144.65
Switzerland (62)	90.74	−0.2	84.06	87.81	+0.7	2.04	90.89	84.06	87.22	94.16	67.81	76.29
United Kingdom (303)	152.54	−0.8	141.30	141.30	−0.8	4.40	153.75	142.20	142.20	158.41	133.28	133.35
USA (544)	138.66	−0.4	128.45	138.66	−0.4	3.37	139.17	128.71	139.17	146.29	112.13	112.93
Europe (990)	135.33	−0.7	125.36	124.00	−0.4	3.40	136.32	126.08	124.48	136.56	112.63	112.88
Nordic (121)	179.68	−0.5	166.45	158.88	−0.3	1.79	180.50	166.94	159.29	181.96	137.95	136.13
Pacific Basin (668)	191.02	−1.0	176.95	173.64	−1.1	0.70	192.87	178.38	175.63	194.72	160.44	179.98
Euro−Pacific (1658)	168.86	−0.9	156.42	153.79	−0.9	1.58	170.37	157.57	155.17	170.37	141.56	153.12
North America (665)	139.21	−0.4	128.96	137.86	−0.4	3.36	139.78	129.28	138.41	146.66	112.79	113.45
Europe Ex. UK (687)	123.68	−0.7	114.57	113.46	−0.2	2.73	124.52	115.17	113.72	124.94	96.30	99.87
Pacific Ex. Japan (213)	134.06	+0.0	124.19	119.63	−0.1	4.82	134.04	123.97	119.73	140.05	111.93	121.53
World Ex. US (1852)	168.48	−0.9	156.07	153.12	−0.9	1.65	169.94	157.18	154.49	169.94	141.49	151.69
World Ex. UK (2093)	157.22	−0.7	145.64	148.92	−0.7	1.97	158.33	146.44	150.03	159.46	136.98	137.12
World Ex. So. Af. (2336)	156.59	−0.7	145.05	148.12	−0.7	2.17	157.73	145.88	149.20	158.84	136.67	136.90
World Ex. Japan (1941)	138.24	−0.5	128.06	132.77	−0.4	3.43	138.91	128.48	133.29	140.89	114.51	113.64
The World Index (2396)	156.78	−0.7	145.23	148.18	−0.7	2.18	157.90	146.04	149.26	159.01	136.68	136.76

Constituent Change 20/12/89: Name change: Marion Labs to Marion Merrell Dow (US).Latest prices were unavailable for this edition.